Notice of Meeting:

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

Date:	**Tuesday 5 March 2019**
Time:	**1.00pm**
Meeting Room:	**Committee Room 1**
Venue:	**Municipal Building, Garden Place, Hamilton**

Richard Briggs
Chief Executive

Audit & Risk Committee
OPEN AGENDA

Membership

Chairperson:	External appointee - Keiran Horne
Deputy Chairperson	External appointee - Bruce Robertson
Membership:	Mayor Andrew King Chairperson of the Finance Committee – Cr Garry Mallett Chairperson of the Growth and Infrastructure Committee – Cr Dave Macpherson Chairperson of the Community and Services Committee – Cr Paula Southgate Deputy Chairperson of the Finance Committee - Cr Rob Pascoe
Meeting frequency:	As required – no less than four times a year
Quorum:	Four members (including one external appointee)

Lee-Ann Jordan
Governance Manager

27 February 2019

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

Purpose:

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.

2. Monitoring Council's compliance with legislation.

3. Monitoring the Council's external and internal audit process.

4. Ensuring the independence and effectiveness of Council's Internal Audit processes.

5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.

6. Providing a communication link between management, internal auditors/external auditors and Council.

7. Supporting measures to improve management performance and internal controls.

8. Report to Council 6 monthly on key risks.

9. Such other Matters referred to it by Council.

The Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

External Audit

1. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.

2. Recommend to Council the terms and arrangements for the external audit programme.

3. Review the effectiveness of the Annual Plan audit and 10 Year Plan audit.

4. Assess management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

Internal Audit

5. In conjunction with the Chief Executive, agree the scope of the annual internal audit work programme.

6. Monitor the delivery of the internal audit work programme to ensure the effectiveness of the Council's internal control framework.

7. Assess whether Internal Audit's recommendations have been properly implemented by management.

8. Review the annual Internal Audit Plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

Other Matters

9. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.

10. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines (including health and safety).

11. Engage with internal and external auditors on any specific one-off audit assignments.

12. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.

13. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.

14. Review and monitor integrity of interim and annual reports and recommend to Council for adoption.

15. Review and monitor business continuity planning.

The Committee is delegated the following recommendatory powers:

- The Committee has no decision-making powers.

- The Committee may make recommendations to the Council and/or the Chief Executive, as appropriate.

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.

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

- Council appoints two external members of the committee, one of whom shall be Chairman. External members shall have a broad range of skills and experience including accounting or audit experience; the terms of the appointment to be recorded in a contract.   External member contracts are to be reviewed and assessed six (6) months after each triennial election.

- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.

- The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.

- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud or malpractice.

- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Oversight of Policies:

Risk Management Policy

ITEM	TABLE OF CONTENTS	PAGE

1   **Apologies**

2   **Confirmation of Agenda**
The Committee to confirm the agenda.

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

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

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

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

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

Council Report

Committee:	Audit & Risk Committee	**Date:**	05 March 2019
Author:	Richard Briggs	**Authoriser:** Richard Briggs	
Position:	Chief Executive	**Position:** Chief Executive	
Report Name:	CE Introduction - Strategic Risk Overview		

Report Status	*Open*

Purpose

1. To inform the Committee on current and emerging strategic issues and risks to Hamilton City Council via a verbal report by the Chief Executive.

Staff Recommendation

That the Audit and Risk Committee receives the verbal report.

Attachments

There are no attachments for this report. .

Council Report

Committee:	Audit & Risk Committee	**Date:**	05 March 2019
Author:	Rebecca Watson	**Authoriser:**	Becca Brooke
Position:	Committee Advisor	**Position:**	Governance Team Leader

Report Name: Confirmation of Audit and Risk Committee Meeting Open Minutes - 27 November 2018

Report Status	*Open*

Staff Recommendation

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

Attachments

Attachment 1 - Audit and Risk Committee Meeting - Open Unconfirmed Minutes - 27 November 2018 .

![Hamilton City Council - Te kaunihera o Kirikiriroa]

Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Tuesday 27 November 2018 at 1.02pm.

PRESENT

Chairperson:	Keiran Horne
Membership:	Bruce Robertson
	Mayor Andrew King
	Cr Garry Mallett
	Cr Dave Macpherson
	Cr Paula Southgate
In attendance:	Richard Briggs – Chief Executive
	David Bryant – General Manager Corporate
	Eeva-Liisa Wright – General Manager Infrastructure Operations
	Lance Vervoot – General Manager Community
	Chris Allen – General Manager Development
	Andre Chatfield – Risk and Insurance Manager
	Tracey Musty – Financial Controller
	Dan Finn – People Safety and Wellness Manager
	Mike Lamb – Chief Information Officer
	Karin Barcley – Safety Engagement Lead
	Morva Kaye – Internal Auditor
	Corina Martin – Business Administrator
	Paul Gower – Programme Manager Growth and Assets
	Nigel Ward – Communications Advisor
	Murray Stirling – Health and Safety Advisor
	Maire Porter – City Waters Manager
	Aaron Steele – Pwc
	Shane Twemlow – Aon Insurance
Committee Advisor:	Rebecca Watson

1. Apologies

Resolved: (Mayor King/Cr Mallett)

That the apologies for absence from Cr Pascoe and for early departure from Cr Southgate are accepted.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Macpherson)

That the agenda is confirmed.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

There were no public forum speakers.

5. Confirmation of Audit and Risk Committee Open Minutes - 18 September 2018

Resolved: (Mayor King/Cr Southgate)

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 18 September 2018 as a true and correct record.

Item 6

Attachment 1

6.   **Risk Management Report**

The Risk and Insurance Manager introduced the report, highlighting that across all eight material risks there had not been any movement in residual risks.

Staff responded to questions from Committee Members concerning:

- safety risk assessments and risk mitigation methods used by staff,

- subjective terms used in the risk management report,

- internal work programme,

- Vision Zero road strategy,

- inherent risk ratings,

- civil defence response, and

- cyber attacks.

Staff Action: *Committee Members requested further information regarding options for safety mitigations for Council workers working on roadsides or median strips to be provided at the Risk Management Workshop to be held in early 2019.*

Resolved: (Mr Robertson/Cr Southgate)

That the Audit and Risk Committee receives the report.

7.   **Safety and Wellness Report**

The People, Safety and Wellness Manager spoke to the report, highlighting that safety performance was steadily rising, particularly around injury management practises.

Staff responded to questions from Committee Members concerning:

- reporting periods,

- mitigation of critical risks,

- Employee Assistance Programme, and

- Vision Zero road strategy.

Resolved: (Cr Mallett/Cr Macpherson)

That the Audit and Risk Committee receives the report.

8. Organisational Improvement Report

The Financial Controller spoke to the report, highlighting that there were some issues noted in the report regarding assets which were due to be closed.

Committee Members discussed fixed asset management, as well as financial coding and reporting processes.

Resolved: (Mayor King/Cr Mallett)

That the Audit and Risk Committee receives the report.

Cr Southgate retired from the meeting at 2.15pm during the above discussion item. She was not present when the matter was voted on.

9. Internal Audit Update

The Financial Controller introduced the report and representative from PwC, Aaron Steele. They responded to questions from Committee Members regarding the process of setting the internal audit programme and the process of investigating internal fraud.

Resolved: (Mr Robertson/Cr Macpherson)

That the Audit and Risk Committee receives the report.

10. Insurance Report

The Risk and Insurance Manager introduced the report and representative from Aon Insurance, Shane Twemlow. They highlighted some changes to the attachment one of the staff report, as well as the background to cost increases in insurance premiums. Mr Twemlow outlined the process undertaken to set insurance prices.

Committee Members asked questions regarding appropriate levels of insurance cover.

Resolved: (Mr Robertson/Mayor King)

That the Audit and Risk Committee receives the report.

11. 2017/18 Fitch Ratings Review

The Financial Controller took the report as read, and answered questions from Committee Members concerning the age of the data used in the Fitch Ratings Report.

Resolved: (Cr Macpherson/Mr Robertson)

That the Audit and Risk Committee receives the report.

Item 6

Attachment 1

12. **Audit NZ Final Audit Report June 2018**

The Financial Controller introduced Leon Pieterse from Audit NZ, who spoke to the audit report. Mr Pieterse noted this was his final meeting and thanked staff and Committee Members for their work over the last 5 years.

Committee Members discussed legal titles on all Council Owned Properties, especially in regards to road stopping, and the classification of intangible assets (amortisation).

Chair Keiran Horne formally thanked Mr Pieterse for his work with the Council over the past 5 years.

Action: Staff undertook to resolve the classification of intangible assets.

Resolved: (Cr Macpherson/Mr Robertson)

That the Audit and Risk Committee receives the report.

13. **Resolution to Exclude the Public**

Resolved: (Cr Macpherson/Mayor King)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Audit and Risk Committee Meeting Public Excluded Minutes - 18 September 2018	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987	Section 48(1)(a)

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)

The meeting went into a public excluded session at 3.26pm.

The meeting was declared closed at 3.27pm.

Council Report

Committee:	Audit & Risk Committee	**Date:**	05 March 2019
Author:	Becca Brooke	**Authoriser:** Lee-Ann Jordan	
Position:	Governance Team Leader	**Position:** Governance Manager	
Report Name:	Audit and Risk Committee Draft Schedule of reports 2019		

Report Status	*Open*

Purpose

1.   To inform the Audit and Risk Committee regarding the draft 2019 Schedule of Reports.

Staff Recommendation

That the Audit and Risk Committee:

   a)   receives the draft 2019 Schedule of Reports; and

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

Background

2.   The Chief Executive undertook to provide Elected Members with schedules for the tasks and responsibilities to be undertaken each calendar year by the Council and the whole of Council Committees (Growth and Infrastructure, Community Services and Environment, and Finance).

3.   The purpose of the schedules is to provide Elected Members with oversight of the planned and upcoming activities for which they are responsible as members of those committees. The schedules set out the key reports and pieces of work assigned to each committee as well as the intended meeting dates where these will be presented.

4.   The schedules have been developed by the Principal Advisors and Chairs of each committee in conjunction with key staff, the Strategy Unit, and the Governance Unit. Content covers:
   - Standing agenda items and regular reports;
   - The development, review, and status reporting of strategic plans and policies;
   - Anticipated submissions and legislative reports;
   - Items relating to the Annual Plan and 10 Year Plan;
   - Reporting of joint organisations, stakeholder groups, and established taskforces; and
   - Business as usual matters identified by staff as requiring governance decisions or oversight.

5.   In order for Elected Members to have a current view of committee activities throughout the year, the schedules will need to be updated when new items arise or when timing or circumstances change. Elected Members will have access to the updated schedules on Onedrive.

6.   The Governance Unit and the Principal Advisors' Executive Assistants will take responsibility for maintaining up-to-date documents.

7.   2019 Report Schedules for the Committees of the whole will be presented at each of their first meetings of 2019.

Attachments

Attachment 1 - Audit and Risk Committee Schedule of Reports 2019 .

	Audit & Risk Committee Report Schedule 2019						**Council**		
Standard Reports	(Risk Workshop) 4-Mar-19	(Workshop AM) 5/03/2019	(Workshop AM) 16/05/2019	(Workshop AM) 3/09/2019	(Annual Report) 23/09/2019	03-Dec-19 (HOLD)	Ordinary 18/4/19	Ordinary 17/9/18	(Annual report) 26/09/2019
Organisation Improvement Report		▮				▮			
Risk Management Report		▮				▮	▮	▮	
Health and Safety Update		▮				▮	▮	▮	
Verbal Reports									
Cyber Risks/Issues		▮	▮	▮	▮	▮			
Emerging Legal Risks/Issues		▮	▮	▮	▮	▮			
CE Introduction - Strategic Risk Overview		▮	▮	▮	▮	▮			
Audit Committee/CE		▮	▮	▮	▮	▮			
Audit Committee/Internal Audit		▮	▮	▮	▮	▮			
Audit Committee/External Audit		▮	▮	▮	▮	▮			
Strategic Reports	(Risk Workshop) 4-Mar-19	5-Mar-19	16-May-19	3-Sep-19	23-Sep-19	03-Dec-19 (HOLD)	Ordinary 18/4/19	Ordinary 17/9/18	(Annual report) 26/09/2019
Annual Audit & Risk Committee Self Review				▮					
Annual Plan/LTP Reports	(Risk Workshop) 4-Mar-19	5-Mar-19	16-May-19	3-Sep-19	23-Sep-19	03-Dec-19 (HOLD)	Ordinary 18/4/19	Ordinary 17/9/18	(Annual report) 26/09/2019
Accounting Treatment Review			▮						
Annual Report Planning Update		▮							
Review of Draft Financial Statements				▮					
Annual Report (Recommendation to Council)				▮	▮				▮
Stakeholder Liaison Reports	(Risk Workshop) 4-Mar-19	5-Mar-19	16-May-19	3-Sep-19	23-Sep-19	03-Dec-19 (HOLD)	Ordinary 18/4/19	Ordinary 17/9/18	(Annual report) 26/09/2019
Internal Audit reporting (PWC):									
Draft Internal Audit Plan				▮					
Internal Audit Update and Reports		▮	▮			▮			
External Audit reporting (Audit NZ):									
Audit Engagement/Audit Arrangements Letter			▮						
Interim Management Report				▮					
Clearance to Audit & Risk Committee									
Issue of Audit Opinion									▮
Final Management Report						▮			
Business As Usual (BAU) Reports	(Risk Workshop) 4-Mar-19	5-Mar-19	16-May-19	3-Sep-19	23-Sep-19	03-Dec-19 (HOLD)	Ordinary 18/4/19	Ordinary 17/9/18	(Annual report) 26/09/2019
Annual Fitch Credit Rating Report						▮			
Insurance Strategy Report - **in workshop session**			▮			▮			
Annual Insurance Update			▮			▮			
Risk Management Policy Review			▮						

Council Report

Committee:	Audit & Risk Committee	**Date:**	05 March 2019
Author:	Dan Finn	**Authoriser:** David Bryant	
Position:	People, Safety & Wellness Manager	**Position:** General Manager Corporate	

Report Name: Safety and Wellness Report

Report Status	*Open*

Purpose

1.   To inform the Audit and Risk Committee on safety and wellness activities for the year-to-date ending 31 January 2019.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Attachments

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

Safety & Wellness Audit and Risk Report – March 2019

Contents

Safety & Wellness Audit and Risk Report – March 2019

Executive Summary

Overview

The People, Safety and Wellness Team continue to work closely with managers and workers to improve safe behaviours and mindsets to drive a high-performance culture. Knowing that systems, processes and procedures form an important part of our Safety Management System (SMS), we also know that connecting people to our purpose and helping them understand why we do things, also keeps our people safe.

To support the ongoing development and investment in a Safe and Just Culture we are further developing our SMS with accompanying frameworks to help improve our standards of safety performance as well as simplifying our focus, so that it can be easily understood and applied across teams in a way that is more inclusive. Following the disestablishment of the ACC Partnership Programme, our SMS will now be aligned with the new international standard for Health and Safety, ISO 45001. This standard has recently been adopted in New Zealand and Australia and provides an important benchmark for us to achieve from an assurance perspective, but equally from an engagement perspective.

Working towards the implementation of ISO45001 will help guide some of our health and safety work programmes for the next six months (and beyond), providing frameworks and principles to ensure a consistent and effective approach to create a safe and supportive place of work, assisting with our aspiration in becoming an employer of choice and a great and safe place to work.

Item 8

Attachment 1

2

Attachment 1

Item 8

Safety Performance – Year to Date 1 July – 31 January 2018/19
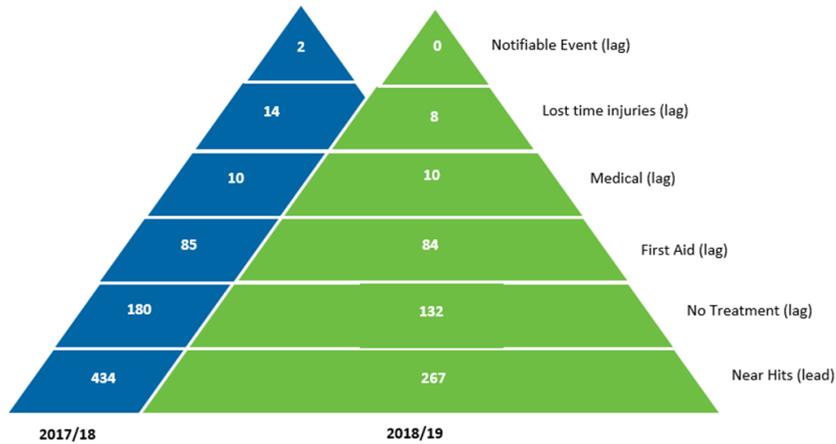
Figure 1: Performance Indicators for events reported 1 July – 31 Jan 2017/18 and 1 July – 31 Jan 2018/19
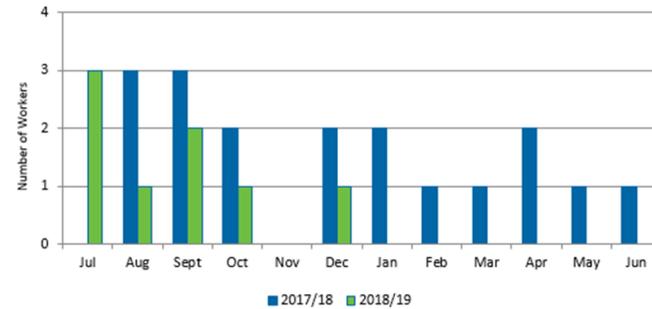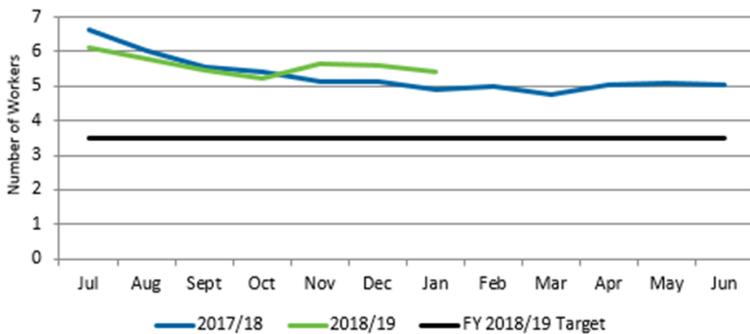

Figure 3: Lost time injuries by month 2017/18 and 2018/19 Year to Date
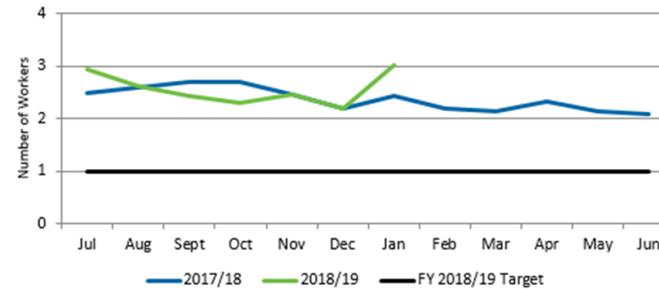

Figure 2: Total recordable injury frequency rate per 200,000 work hours

Figure 4: Lost time injury frequency rate per 200,000 work hours

3

Health and Safety Trends

During this period of reporting we have seen a positive and significant reduction in the number of lost time injuries, nearly halving the number of incidents compared to this time last year. Improved reporting and early invention through better injury management practices have helped to support this improvement.

We are still seeing some issues however relating to coding, bulk loading of events and data entered/altered after the reporting cut off dates, which continues to have an impact on our data reliability and integrity. This is being addressed by revising access levels for system users and introducing a triage process for Safety Event Management as part of the SMS, which means that our H&S Advisors will work closer with teams at the coal face.

Looking at our overall key performance metrics we can see that they remain mostly static but are subject to seasonal peaks and workloads. Additionally, syncing issues between our reporting system and our payroll system, which translates data between the two, has resulted in an understatement of hours worked, thus skewing the frequency rates for LTIFR and TRIFR, as seen on the previous graphs. This is currently being addressed.

In future reports, a trend line will be incorporated to indicate rates over time, rather than single monthly peaks. This will help to identify and plot an overall trend, as to whether we are improving our performance or not.

Notifiable Events

There have been no notifiable events reported to WorkSafe between 1 November to 31 January 2019.

Lost Time Injuries

Between 1 November to 31 January 2019 we recorded one lost time injury, compared to four for the same period last year. Our current LTIFR is 3.03 per 200,000 work hours verses our target of 1.0.

Date	Department	Description and Findings
8 Dec 18	H3 Turf services	Staff hit on the side of head by a cricket ball from a cricket game being played. Team leader sat staff down in the shade and assessed him immediately. Team medics treated him immediately and passed concussion test and monitored by a staff member. Team leader took staff to A &E early hours of the morning, he was admitted into hospital for a brain scan, next morning he was able to go home. Three days off to recover from 11/01/19. Team leader to discuss importance of taking cover if a ball is hit in their direction, being aware of activity on the field and warning others if a ball is hit in their direction.

Table 1: Lost time injury 1 Nov to 31 Jan 2019

Medical Treatment and First Aid Injuries

Between 1 November to 31 January 2019 we recorded five medical treatment injuries and 41 first aid injuries. Our current TRIFR is 5.42 verses our target of <3.5.

Near Hit Reporting

Between 1 November to 31 January 2019 we recorded 84 near hits and year to date 267. This continues a significant decline in the reporting of near hits, compared to the previous year. For the same reporting period in 2018, we had recorded 434.

Item 8

Attachment 1

4

We continue to encourage near hit reporting, however it remains critically important that workers reporting events are provided feedback and that key learnings are shared across Business Units. Our current reporting system does not provide an automatic facility for this and will be discussed with the provider as a pro-active initiative to make information more useful and visible. Lower levels of near hit reporting as mentioned may be related to lower levels of engagement, as workers have not seen sufficient follow up and learnings from events.

Audits, monitoring and reviews

To improve our level of safety assurance across Council we are looking to introduce a refreshed Safety Assurance Framework based on three lines of defence. This is being developed as part of our wider SMS and will provide opportunity for more frequent safety conversations and a level of assurance that can be applied both for Corporate and Operational safety activities.

The three lines of defence are:
1. Team leaders oversee and verify compliance audits
2. Managers implement the SMS
3. Internal and External audit of the SMS functions to provide independent assurance

Between 1 November to 31 January 2019 there were 127 health and safety audits carried out, made up of 44 manager audits and 83 worksite/ contractor audits.

We also carried out 239 safety observations, providing workers and managers with an opportunity to have positive safety conversations as well as addressing any unsafe practices.

Site Visits – Emerging Issues

Mark Wagstaffe and Karin Barclay undertook site visits to Council sites over January. Two emerging issues have been identified following these visits.

1. Health monitoring as required under the HSWA has not been fully embedded and is not consistently being applied. General health checks do not meet this requirement as the monitoring must be specific to the hazard, subsequent risk identified, and the correct personal protective equipment provided. Safety Advisors are working with business units to ensure the necessary monitoring is being undertaken.

2. The radio telephone (R/T) network is subject to blackspots within the CBD and the wider Hamilton area. These blackspots are currently being mapped. R/T's are used by many business units as part of their control strategy for hazards related to lone working and dealing with aggressive and/or violent people. The R/T's are used as an emergency communications device but due to these blackspots cannot be considered as a reliable means of communications for summonsing assistance when required. Investigations are underway to map the blackspots across the city with a view to installing additional transmitters on council owned assets.

Worker Participation and Engagement

Towards the end of November 2018, the S&W Team hosted Elected Members and SLT to provide a deeper dive into health and safety matters, including governance, legal requirements and safety in design. Presenters included Helen Parkes (Cosman Parkes), Mark Hammond (Tomkins Wake) and Lance Haycock (HCC).

As part of our Governance framework Elected Members and Senior Leadership must actively participate in health and safety activities and upskill their knowledge to demonstrate continuous improvement and good governance practice.

In November last year, the whole of Council attended 'Shape a City' sessions to hear about activities happening across the business. The PSW Team took this opportunity to present several safety initiatives, including our wellness programme and five ways to wellbeing, promoting mindfulness and some simple techniques that workers can apply to their everyday life.

5

Safety & Wellness Audit and Risk Report – March 2019

In January City Delivery held a welcome back day, the aim of this day was to raise awareness of Health and Safety as workers return to work following their summer holiday. It was aimed at assisting staff back into work mode; remind them of the need to manage their work life balance and their physical work environment. Additionally, it also provided awareness and understanding by all staff as to what some of council's high-risk activities are. City Parks will be holding a similar day with their staff in March.

Engagement with Regulatory Agencies

We continue to host regular meetings with WorkSafe and other Councils to discuss emerging issues, case law and WorkSafe initiatives. The next meeting is scheduled to be held in March. The safety team is fortunate to have developed an effective working relationship with the Hamilton Branch, which provides a pro-active mechanism to work together to raise matters and respond appropriately.

Engagement with other Organisations

The health and safety team leads have visited Auckland Transport and Sanford Fisheries to discuss models for worker engagement in diverse organisations, including implementation of Wellness programmes in complex settings.

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

Key Health and Safety Initiatives

Health and Safety Management System

The Safety Team is focussed on the refreshing of the Safety Management System (SMS) based of four pillars of Safety Management, which are closely aligned to our established Health and Safety Roadmap. The work programme will initially focus on three work streams:

1. Safety Risk Management (including the refinement of the Safety Risk Matrix that will provide a focus on critical risks).
2. Safety Assurance
3. Safety Event Management and Learnings

Item 8

Attachment 1

6
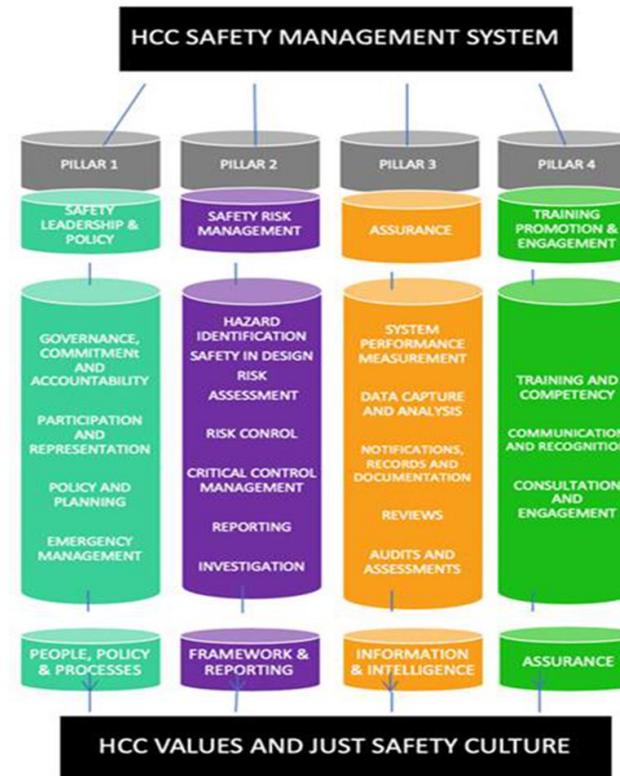
Safety & Wellness Audit and Risk Report – March 2019

The functions of the SMS are to:

- Provide assurance to our duty holders that hazards have been identified and risks are being effectively controlled, so far as is reasonably practicable
- Support a consistent approach to managing safety risks effectively
- Support better collaboration
- Provide a rational and systematic basis for decision making and resource allocation.

The SMS will:

- Establish how Council maintains a safe and healthy workplace and addresses Councils obligations under the Health and Safety at Work Act (HSWA) 2015
- Take into account the Councils risk profile, core functions, services and activities.
- Set a safety standard for Council and other Persons Control Business Undertaking (PCBU's) working with Council.
- Support integration of key standards to promote the achievement of a just safety culture.

Benefits across Council include:

Business Units

- Alignment of existing systems allows for consistency across operations and easier exchange of safety risk intelligence
- Greater assurance that we are meeting our legal obligations
- Inclusion of safety elements in tender criteria
- A consistent approach to making risk-based decisions

Council Partners and Contractors

- Consistent expectations for risk management
- Improved access to safety risk information
- Clear expected standards for safety performance reporting
- Safety in design from the start and throughout project lifecycle
- A framework for consultation, cooperation and coordination

Employees of the Council

- Greater focus on preventing harm
- Personnel exposed to less safety risk due to consistent, high safety standards applied to the design and planning of work
- Consistent expectations for working safely across the Council
- Capability building and training that is specific to role and risks

Safety Leaders, Duty Holders

- A governance framework that describes how officers and duty holders enact their safety obligations
- A systematic basis for resource allocation and decision making
- Prioritisation and investment based on safety risk and performance data
- Assurance that hazards have been identified and risks are being effectively controlled, so far as is reasonably practicable

7

Safety & Wellness Audit and Risk Report – March 2019

Safety in Design

Following on further from our deeper dive workshop in November last year, Groups and specific Business Units across Council are starting to apply and embrace more widely the elements of Safety in Design into project management, which provides innovative and new ways to mitigate and manage safety risks. As part of the establishment of the SMS, a framework for Safety in Design will be developed to ensure that there is a consistent method applied across all areas of Council activity.

Health and Safety Reporting System - Vault

Version 3 of Vault is now available in our testing environment. Testing is being undertaken to ensure that Vault aligns with the requirements of the SMS. Discussions with other Vault users are underway to ensure that three workstreams can be captured and managed efficiently.

Wellness Programme – WorkWell

As part of our WorkWell programme launch, we have established a working group made up of 15 members across the organisation, with participants receiving a comprehensive introduction to WorkWell and what's involved. A group vision and Terms of Reference has been drafted and a staff survey will be completed shortly. This will help to identify what our workers consider most important regarding their current wellbeing and help determine which priority areas they would like to make improvements in. Using these insights, we will develop and roll out key initiatives to support these focus areas.

Training and Competency

Injury Management presentations have commenced across key Business Units and are being run in conjunction with ACC. The purpose of these presentations looks to focus on educating workers before they become injured and how important it is in getting back to work, encouraging a more hands on approach to actively support and manage our injuries.

Members from the PSW Team recently attended a Safety Psychology conference, which strongly promoted the importance of leadership and safety conversations to shift performance from compliance to a culture where safety is seen as a way of working. We hope to be able to tap into one or two key note speakers to help introduce some key concepts at Council.

Work has commenced with the Organisational Development (OD) Lead to refresh and consolidate our training using a blended learning approach. This will include e-learning modules and a more focussed classroom learning experience for key safety stakeholders, particularly those with a direct health and safety role. A focus of this training will be to ensure that Health and Safety Representatives have the knowledge and competence to be safety champions across the organisation.

COURSES PROVIDED BETWEEN Nov-Jan	NUMBER ATTENDED
Mental Health First Aid – Duke Street	37
Aging Positively in the Workplace	10
Intercultural Awareness	9
Looking After Yourself (Wellness).	11
Refresher Warrant Officer Training	39
Melanoma Awareness	68
Health and Safety Representative Training	12
Vulnerable Children's Act	58

8

Safety & Wellness Audit and Risk Report – March 2019

Bullying and Harassment Awareness & Prevention – Duke Street	31

Table 2: Health, Safety and Wellness training completed Nov- Jan 2019

People, Safety and Wellness update

Mark Wagstaffe our new Health and Safety Assurance Lead commenced his role on the 14th January. Mark was previously Deputy Director Safety Risk and Assurance with the New Zealand Defence Force.

Health and Wellbeing

Bullying and Harassment Monitoring

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

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

	Peer Support	Informal Reports	Formal Reports
Total for period 1 Sept - 31 Oct 2018	0	3	0

Table 3: Harassment and Bullying

Employee Assistance Program (EAP)

For the period 1 November – 31 January 2019 there were 46 cases handled through EAP, which is down eight from the previous reporting period. Most of these cases continue to be through self-referrals and relate to work and non-work stressors and personal relationship issues.

EAP Use	1 Aug – 31 Oct 2018	1 Nov – 31 Jan 2019
New Cases	27	21
Reopened Cases	4	6
Pre-existing cases seen during period	23	19
Total Cases	**54**	**46**
Contact Hours for the Period	103	65
Average Hours per Client	2	1.7

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

In Summary

Our safety performance is steadily improving, and we continue to focus our efforts on a blended approach of assurance and engagement activities, promoting safer ways of working through improved job design and risk assessments as a standard way of working.

Increasing workload and peak demands across business units are likely to impact on our people. Focussed workstreams in combination with increased safety conversations with workers and management will bring about a sustainable change in performance and help to promote a just safety culture, which should underpin everything we do.

9

Committee:	Audit & Risk Committee	**Date:**	05 March 2019
Author:	Andre Chatfield	**Authoriser:** David Bryant	
Position:	Risk and Insurance Manager	**Position:** General Manager Corporate	
Report Name:	Risk Management Report		

Report Status	*Open*

Purpose

1. To inform the Committee on the current status of Hamilton City Council's eight Material Risks and discuss outcomes from the Risk Workshops conducted on 4 and 5 March 2019.

2. The current and previous Material Risk Report is attached to this report.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Background

3. A risk workshop for Elected Members and Council's Senior Leadership Team was conducted on 4 and 5 March 2019 prior to this Audit and Risk Committee.

4. The purpose of the risk workshops was to review whether the current material risks were relevant or new risks have emerged since the current risks were identified in early 2016.

5. While this report was written prior to the workshop being conducted, key discussion points focused on changing from an operational risk management reporting approach to a strategic risk management reporting approach.

6. It is expected this initiative will be adopted for the next Audit and Risk Committee meeting to be held on 16 May 2019.

7. The Material Risk Report requires changes in format and new discussion topics which were to be finalised at the end of the risk workshops conducted on 4 and 5 March 2019.

Cultural Considerations

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

Significance & Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - HCC Material Risk Report - 27 November 2018

Attachment 2 - HCC Material Risk Report - 5 March 2019 .

Material Risks Summary – November 2018

Rank	Risk Description	Inherent Risk Rating Rated before controls are implemented	Residual Risk Rating Rated after controls are implemented
1	**H&S – Workers (incl. contracted workers & volunteer workers)** Failure to create and maintain a safe environment for staff leading to death or a serious injury incident.	Extreme* Very High	High**
2	**H&S - Community** Failure to create and maintain a safe environment for the community leading to death or a serious injury incident.	Extreme* Very High	High**
3	**Failure of critical assets** Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Extreme	High
4	**Failure of BCP** Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.	Very High	Medium
5	**Inadequate civil defence response** Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.	Extreme	Very High
6	**Financial Strategy Failures** Implementation of Council's Financial Strategy is not effective in guiding appropriate decision making to meet the financial pressures associated with maintaining the assets and amenities of the city whilst investing in growth infrastructure.	High	High
7	**Cyber attack** Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.	Very High	Very High
8	**Poor data, analysis and response** Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.	Very High	Medium

* There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

** Council takes the safety of our people and the community seriously and are working hard to reduce the likelihood of a serious harm incident. Due to the focus and definition of this risk relating to death or a serious injury, the risk rating (and by extension the target risk rating) can never reduce below 'High' because we consider the consequence to be 'catastrophic'.

1

Risk Description		Rank
H&S – Workers includes contracted and volunteer workers Failure to create and maintain a safe environment for HCC workers leading to death or a serious injury incident.		# Rank 1
Risk Owner	David Bryant (GM Corporate)	**Category**	People

Risk Triggers
• H&S roles and responsibilities across the organisation not fully understood or accepted • Poor understanding of the H&S risks within the organisation • H&S management system ineffective or inefficient • Poor safety / organisational culture • Human error / inappropriate behaviours / complacency • Unsafe or poorly maintained equipment

Inherent Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H		VH		E
	Likely	M	H	VH	VH	
	Possible	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Rare	L	L	L	M	H

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

Ⓐ Risk of serious injury or death

Ⓑ Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations
• Health and Safety Management System – system development phases • Includes plans, procedures for work practices/activities for all high-risk areas • Pre-qualification engagement program – contractors • Organisation engagement survey

Residual Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	H	VH	E	E
	Likely	M	H	VH	VH	E
	Possible	L		H	VH	VH
	Unlikely	L	M			VH
	Rare	L	L	L	M	

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

Ⓐ Risk of serious injury or death

Ⓑ Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

2

Further Actions Required	Update – November 2018	Action Owner
• Establish a governance framework for the engagement and management of contractors.	• Part of the governance framework for contractor management is the SHE Contractor Prequalification programme. WLASS have conducted an annual audit and positive findings were shared with all WLASS members. Overall contractor management practices are yet to be looked at in-depth by Council to identify on-going improvements and best practice benefits.	Dan Finn (People Safety & Wellbeing Manager)
• Enhance the safety behaviours / culture program (take it to the next level of maturity).	• As part of the safety engagement program the Health & Safety Roadmap has been developed to focus on four key areas – best in business, managing risk, safety leadership and strengthening our culture. This will be presented during the deep dive of this material risk.	
• Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions.	• Council have adopted an auditing and monitoring regime that includes internal and external auditing. Further inspection and observation practices are within business units as part of Safety Representative duties. These are considered business as usual activities to support monitoring.	
• Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls. *Note*: A deep dive on this material risk will be conducted at this ARC meeting by way of a workshop that will include internal and external subject matter experts (SME).	• To enhance the understanding of Council's critical H&S risks 12 Current Best Practice (CBP) documents are being established and implemented. Three have been completed and distributed across the organisation for review: (awaiting feedback for approval) (1) Working alone in Isolation (2) Hazardous Substances (3) Asbestos Management.	

3

Attachment 1 Item 9

Risk Description			Rank
H&S - Community Failure to create and maintain a safe environment for the community leading to death or a serious injury incident.			**Rank 2**
Risk Owner	David Bryant (GM Corporate)	**Category**	People

Risk Triggers
• Inadequate understanding of the scope of HCC's health and safety responsibilities towards the community • Poor HCC understanding of the H&S risks within the Community • Failures in safety-in-design planning for our amenities and services provided to the community • Human error / inappropriate behaviours • Crime

Inherent Risk

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury or death

(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations
• Asset maintenance programmes - AMPS • Includes Plans, procedures for work practices/activities for all high-risk areas • Includes Pre-qualification engagement program – contractors • Audit functions implemented with risk assessment practices embedded within BU's. • Call Centre feedback and HCC Website capability for community to report hazards. Incl social media monitoring by Communications • Specific Competency and Training Programmes – Pools, Arborists, City Safe • City Safe - CCTV cameras (64 Crime prevention, 40+ Transportation and 103 facility cameras)

Residual Risk

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury or death

(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

4

Further Actions Required	Update – November 2018	Action Owners
• Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions.	• A new body of works involving Tomkins Wake has been initiated to understand Council liabilities within the public environment and Council assets. Areas of review are tree maintenance and Council facilities utilised by the public. • Focus will be around asset management and safety in design practices to identify an appropriate monitoring regime.	Dan Finn (People Safety & Wellbeing Manager) Paul Gower (Growth and Assets Manager)
• Enhance understanding of key risk scenarios and commonality of critical controls.	• In support of the above the H&S team are currently working on a Contractor Management Current Best Practice (CBP) for the organisation. This will include scheduling project contractor safety audits / inspections that are already conducted by Safety representatives within business units. These provide support to an ongoing assurance programme.	
• Ensure on-going monitoring of effectiveness of critical controls where community is exposed.	• The new body of works discussed above will determine the level and depth of monitoring across Council.	

5

Failure of critical assets

Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).

Rank: 3

Risk Owner	Eeva-Liisa Wright (GM City Infrastructure)	Category	Financial

Risk Triggers

- Inadequate budget allocated for maintenance and renewal of critical assets
- Incorrect analysis in development of maintenance and renewal requirements
- Poor or incomplete asset data
- Failure to identify all critical assets
- Failure to carry out planned maintenance and renewal of critical asset

Inherent Likelihood		Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural		Inherent Risk Rating	Extreme
	Almost Certain		Catastrophic		

Existing Controls and Mitigations

- Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM Development
- Critical asset groups have been identified and management strategies for these assets are documented.
- Activity Management Plan (AMP) renewals are fully funded over in the 10-Year Plan Budget and critical assets are given a higher priority for renewal.
- Activity Management Plans were internally and externally reviewed to help identify if budgets are adequate.

Residual Likelihood		Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural		Residual Risk Rating	Very High
	Unlikely		Catastrophic		

6

Further Actions Required	Update – November 2018	Action Owners
• Review critical asset framework and identify all critical assets at a component level within the appropriate asset management system i.e. IPS or RAMM.	• Activity Management Plans completed and implemented as BAU. Critical assets have been identified and managed as per controls.	Paul Gower (Growth and Assets Manager) Maire Porter (City Waters Manager) Bridget Morgan (Water Asset Manager) Robyn Denton (Transportation Manager)
• Ensure there are asset management strategies in place for all critical assets at an appropriate level and detail.	• PwC are undertaking a review of maintenance planning for critical assets. Expected completion is March 2019 which will support the development of critical asset management strategies.	
• Mapping of critical assets across the city.	• Action completed for Transportation, Water Supply and Wastewater assets.	
• Implement the updated 2018/19 asset management improvement programme to continue to lift asset management practises across Council.	• Consultants are working with staff to develop high-level liquefaction risk maps using existing and available geotechnical data. This is still ongoing – completion date to be confirmed.	

7

Failure of BCP

Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.

Rank: 4

Risk Owner	David Bryant (GM Corporate)	Category	Disaster Recovery/ Business Continuity

Risk Triggers

- Business Continuity Plans are not communicated effectively
- Untested Business Continuity Plans
- Business Continuity Plans haven't contemplated all the scenarios
- Business Continuity Management framework not established, implemented or communicated within organisation
- Business Continuity Plans are untested, inadequate, not communicated effectively, or are not up to date.

Inherent Likelihood	Likely	Inherent Consequence Driver Service Delivery	Serious	Inherent Risk Rating	Very High

Existing Controls and Mitigations

- Business Continuity Plans in place for all critical activities and business units
- HCC Crisis Management Guide has been established in support of an integrated response capability.
- Business Continuity Plans are reviewed quarterly by Risk & Insurance business unit
- Business Continuity Plans are integrated as part of asset management planning
- Business Continuity Plans are reviewed on an ad hoc basis by Internal Audit

Residual Likelihood	Unlikely	Residual Consequence Driver Service Delivery	Serious	Overall Residual Risk Rating	Medium

Further Actions Required	Update – November 2018	Action Owner
• Visibility and ownership of Business Continuity Plans to be outlined to all SLT members.	• Council's BCP programme consists of 26 BCPs and is currently under review with completion set for December 2018. At completion SLT will be briefed by the R&I Manager. • A BCP Champions Group framework has been established to improve management and cross organisational awareness when responding to events.	Andre Chatfield (Risk & Insurance Manager)

8

• Council's intranet site to be updated with all BCPs.	• All updated BCPs will be located on Council's intranet site from December 2018. BCPs will be managed by each business unit with support from the Risk Management team.	
• BCP testing plans to be completed and practiced by applicable activities.	• As the BCPs are currently under review, testing is targeted for the New Year.	

9

Inadequate civil defence response Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.			Rank: 5	
Risk Owner	Jen Baird (GM City Growth)	**Category**	Disaster Recovery	

Risk Triggers

- Poor response management and knowledge across HCC
- Poor understanding of requirements to support Hamilton City in an event
- Lack of experience with real life emergency situations
- Turnover of trained staff
- Poor contract management
- Lack of critical equipment and resourcing
- Cross-jurisdictional responsibilities
- Poor critical asset management

Inherent Likelihood		**Inherent Consequence Driver** Safety & Wellbeing, Service Delivery, Social, Cultural and Environment		**Inherent Risk Rating**	Extreme
	Likely		Catastrophic		🔴

Existing Controls and Mitigations

- Established emergency training program implemented for council staff
- Co-location Emergency Operations Centre (EOC) in dedicated leading-edge emergency operating centre (GEMO) with built in redundancy
- Civil Defence Standard Operating Plans and Procedures – full review underway
- Robust exercise schedule to test preparedness and response functionality
- Annual external Capability Assessment conducted to determine progress and risks
- Audits from the Ministry of Civil Defence and Emergency Management every 3 years

Residual Likelihood		**Residual Consequence Driver** Safety & Wellbeing, Service Delivery, Social, Cultural and Environment		**Residual Risk Rating**	Very High
	Unlikely		Catastrophic		🟠

10

Further Actions Required	Update – November 2018	Action Owners
• Monitoring of Service Level Agreement (SLA) in place with Waikato Regional Council and bi-annual progress reports.	• Reported quarterly to Council's Community and Services Committee	Kelvin Powell (City Safe Manager, City Civil Defence Controller)
• Review and communicate emergency response procedure to lift civil defence awareness through the organisation.	• National Shake Out Drill provided increased awareness during October. A minor event that took place after the Shake Out Drill highlighted those staff on higher levels within the Municipal building reacted appropriately. • Council has dedicated resources that provide awareness training and advice for staff and the public.	Andre Chatfield (Risk & Insurance Manager, City Civil Defence Alternate Controller)
• Develop succession plan for critical Emergency Management knowledge.	• CDEM Group Manager / Controller for Waikato Region has been selected – Julian Snowball appointed mid-October 2018. Previous second in charge for Waikato Region. • Underway within the Waikato Regional Group Emergency Management Office. Specific CDEM procedural guidelines being created to support HCC staff and services. *Note:* Deep Dive of this material risk is expected in next ARC Meeting (March 2019). New Civil Defence Group Manager to be invited in conjunction with Council Civil Defence Controller.	

11

Financial Strategy Failures	**Rank: 6**
Implementation of Council's Financial Strategy is not effective in guiding appropriate decision making to meet the financial pressures associated with maintaining the assets and amenities of the city whilst investing in growth infrastructure	

Risk Owner	Richard Briggs (CE)	**Category**	Financial

Risk Triggers
• Materially incorrect financial strategy assumptions
• Significant unforeseen event

Inherent Likelihood	Possible	**Inherent Consequence Drivers** Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious	**Inherent Risk Rating**	High

Existing Controls and Mitigations
• The Financial Strategy is reviewed three yearly in conjunction with the development of Council's 10-Year Plan and revised if appropriate. Part of this process includes a review of Council's Revenue and Financing Policy, Funding Needs Analysis Policy and Rating Policy and making any revisions where appropriate.
• The Financial Strategy is reviewed three yearly in conjunction with the development of Council's Annual Plan and revised if appropriate.
• The Financial Strategy is used to guide decision making where significant expenditure is required. Council's delegated authority limits result in these items being referred to meetings of the Council where details of the expenditure and associated risks are identified and reviewed before decisions are made.
• Council's Monitoring Report is used to provide visibility of Council's financial performance at each Finance Committee. This enables comparison to Council's Financial Strategy limits and for any irregularities to be discussed and addressed.
• Internal financial reporting is used to provide visibility of Council's financial performance at each monthly Senior Leadership Team meeting. This enables comparison to Council's Financial Strategy limits and for any irregularities to be discussed and addressed.

Residual Likelihood	Possible	**Residual Consequence Drivers** Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious	**Residual Risk Rating**	High

12

Further Actions Required	Update – November 2018	Action Owner
• A key focus of the new Financial Strategy is to limit Council's debt to revenue ratio to 230%. A review of the format and content of Financial Strategy reporting to Council is required to ensure transparency and appropriateness of information to inform Council decision making.	• The first phase of reviewing Council's Financial Strategy reporting is complete and was presented to the October 2018 Finance Committee. • Unbudgeted / unexpected expense or shifts in the timing of budgeted expense can result in the new debt to revenue ratio limit being breached. Staff are responding to this situation by developing a decision framework and process that is designed to address any breach. Depending on the cause, addressing any breach may require a Council decision. The detail in Council's Financial Strategy reporting will continue to evolve as a result.	David Bryant (GM Corporate)

13

Cyber attack	Rank: 7
Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.	

Risk Owner	David Bryant (GM Corporate)	Category	Technology/ Information/ Data Management

Risk Triggers

- Inadequate IT security environment
- Staff not following IT security procedures [lack of general awareness / culture]
- Targeted and potentially malicious exploitation of security vulnerabilities in operating systems or applications

Inherent Likelihood		Inherent Consequence Driver Information Management/ Information Technology, Service Delivery, Safety & Wellbeing		Inherent Risk Rating	Very High
	Possible		Catastrophic		

Existing Controls and Mitigations

- 3 Lines of Defence implemented (1) Hardware + Systems Controls (2) Process Management (3) technical Experts – architects, technical and operations personnel (i.e. Fujitsu)
- Managed desktop environment implemented conforms with DIAAOG – (Department of Internal Affairs and All of Government) desktop offering and standards
- Data and system backups – daily, weekly, monthly regime aligned to critical services list
- Disaster Recovery Plan (DRP)
- Technical support from key vendors - Microsoft and Fujitsu
- IT Security Management Policies and Procedures
- External and internal security audit and reviews

Residual Likelihood		Residual Consequence Driver Information Management/ Information Technology, Service Delivery		Residual Risk Rating	Very High
	Unlikely		Catastrophic		

14

Further Actions Required	Update – November 2018	Action Owners
• Enhance understanding of key activities where we need back up or manual intervention.	• All key activities have been identified and part of business as usual (BAU) processes.	Mike Lamb (Chief Information Officer - CIO)
• Develop action plans to ensure there is a backup in place for critical activities.	• The Disaster Recovery Plan (DRP) includes a backup regime and action plans are in place for critical services.	Peiter Bronkhorst (Chief Technical Officer – CTO)
• Ensure on-going monitoring of effectiveness of critical controls.	• IS have an internal and external monitoring capability in place. Unusual activities are communicated to the CIO and CTO as part of BAU.	
• Develop and implement procedures for monitoring unusual network activity.	• Monitoring of unusual network activities has increased and is still considered a BAU process with the 'three lines of defence' approach established and implemented. *Note:* In the September 2018 Audit & Risk Committee meeting the CIO, CTO and PwC provided a deep dive on this risk.	

15

Poor data, analysis and response

Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.

Rank: 8

Risk Owner	Jen Baird (GM City Growth)	Category	Strategic

Risk Triggers

- Inadequate modelling and scenario planning
- Inadequate data inputs
- Poor cross-organisational sharing of data
- Inadequate access to analytical skills

Inherent Likelihood		Inherent Consequence Driver Social, Cultural and Environment		Inherent Risk Rating	Very High
	Likely		Major		🟠

Existing Controls and Mitigations

- District plan renewed every 10 years and undergoes a rigorous consultation and appeal process
- Future proof growth modelling around sub-regional plans are reviewed by the Executive Director Special Projects
- Growth forecasts and modelling around developer contributions reviewed by General Manager City Growth
- Quarterly reviews (part of the Hamilton Urban Growth Strategy) to monitor progress against the plan in terms of serviceable land availability. Results of the monitoring are reported through to the Senior Leadership Team for discussion and action
- Core inputs prepared by external experts "Market Economics" modelling and reviewed by BERL
- Council has two dedicated FTE's responsible for data analytics for Growth Group.
- New Development Contribution model and tool has been established to provide improved data analysis. Hamilton Housing Market & Economy Growth Indicator Report Adopted across the sub-region
- A Scenario Management Process for DC Model established, externally peer reviewed and auditable by NZ Audit.
- New Growth Funding & Analytics Unit has been formally created, with objectives outlined in the Unit's SPT
- Quarterly analysis of external housing, market drivers is captured in the Hamilton Housing Market & Economy Growth Indicator Report
- NPS is enacted by legislation. A sub-regional review of land use, demand and supply has now been completed.

Residual Likelihood		Residual Consequence Driver Social, Cultural and Environment		Overall Residual Risk Rating	High
	Unlikely		Major		🟡

16

Further Actions Required	Update – November 2018	Action Owner
• Establish a process of rigorous modelling and scenario planning	• Rigorous modelling has been identified within the controls and mitigation. The following are being established: I. Peacocke Programme monitoring and reporting dashboard currently being prototyped, with release ready for December Growth & Infrastructure Committee meeting. II. New Analytics Strategy business case is currently being drafted to provide analytics guidance for the Growth Group.	Greg Carstens (Economic Growth & Planning Manager)
• Establish a suite of relevant, trusted data sources	• The suite of data sources and management methods have been outlined in the controls and mitigation lists. This is now considered business as usual and closely monitored.	

17

APPENDIX A – RISK RATING

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

This matrix also provides an indication of the correlation between risk appetite and risk tolerance levels Senior Leadership Team and Council are prepared to accept relevant to the key service areas discussed throughout this document.

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	M	H	VH	E	E
	Likely	M	H	VH	VH	E
	Possible	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Rare	L	L	L	M	M

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

18

APPENDIX B – ACTION REQUIRED AND REPORTING

The following table details the required actions and reporting for each risk:

	ACTION REQUIRED FOR RISK	RISK REPORTING	
		Organisational Risks	**Project Risks**
E	**Extreme Risk** – Immediate action required: Risk escalated as appropriate to the Audit & Risk Committee. Action plans and management responsibility specified with scrutiny required. Only the Chief Executive and/or Council/Audit and Risk Committee can accept this level of risk.	ARC (Quarterly) SLT (Monthly)	Council Finance Committee (Six Weekly) Programme Manager (Monthly) Project Sponsor (Monthly)
VH	**Very High Risk** – Senior Leadership Team advised. Action plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.	ARC (Quarterly) SLT (Monthly)	Council Finance Committee (Six Weekly) Programme Manager (Monthly) Project Sponsor (Monthly)
H	**High Risk** – Senior Leadership Team advised. Action plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.	SLT (Monthly)	Council Finance Committee (Six Weekly) Programme Manager (Monthly) Project Sponsor (Monthly)
M	**Medium Risk** – Management responsibility specified. Managed by specific monitoring and procedures. The relevant programme, unit manager or risk manager can accept this level of risk.	Wider Leadership Group (As required)	Program Manager (Monthly)
L	**Low Risk** – Manage by routine procedures. Unlikely to require specific application of resources. The relevant activity manager can accept this level of risk.	Wider Leadership Group (As required)	Program Manager (Monthly)

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

19

APPENDIX C – RISK MATRIX LEGEND

Risk Matrix Legend					
	Description	Reputation	Health and Safety	Service Delivery (Strategy incl)	Financial
5	Catastrophic	• Council suffers severe political and/or reputational damage that cannot easily recover from. • Council suffers severe negative reputational impact, and the Mayor loses confidence in senior management. • Mayor and Chief Executive need to be briefed and regularly updated. • Media interest is sustained for a prolonged period (i.e., over a week) with major criticism levelled at the Council. • Council breaches multiple laws, which leads to legal action by affected stakeholders. • External/independent investigation conducted by law enforcement and/or government agencies.	• Loss of life. • Major health and safety incident involving members of staff and/or members of the public. • The injured party or parties suffer major injuries with long-term effects that leave them permanently affected. • An external authority investigates Council's safety practices and Council is found to be negligent.	• Severe compromise of the strategic objectives and goals of the Council. • Severe on-going impact on service delivery across Council and business units. • Skills shortages severely affect the ability of Council to meet its objectives and goals. • Staff work hours are increased by more than 50% (20 hours per week) for more than 30 days. • Between a 10% or more increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating	• Impact cannot be managed without additional funding from Council. • Impact cannot be managed without significant extra human resources. • Yearly operating costs increase by more than 12%. • One-time financial cost greater than $100,000.
4	Major	• Council suffers significant political and/or reputational damage. • Council suffers reputational damage and loses confidence in senior management. • Mayor and Chief Executive need to be briefed and regularly updated. • Media interest is sustained for up to a week with minor criticism levelled at Council. • Key stakeholders need to be informed and kept up to date with any developments that affect them. • Council breaches the law, which leads to legal action by affected stakeholders. • External/independent investigation conducted by law enforcement and/or government agencies. • Communications and recovery can be managed internally.	• A significant health and safety incident involving multiple members of staff and/or members of the public. • The injured party or parties suffer significant injuries with long-term effects that leave them permanently affected. • WorkSafe investigates Council's safety practices and Council is found to be inadequate.	• Significant compromise of the strategic objectives and goals of Council. • Compromise of the strategic objectives of Hamilton City. • Significant on-going impact on service delivery across one or more business units. • Skills shortages affect the ability of Council to meet its objectives and goals. • Staff work hours are increased by more than 38% (10 – 15 hours per week) for 30 days. • Between a 3% and 10% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating.	• Impact cannot be managed without re-prioritisation of work programmes. • Impact cannot be managed without extra financial and human resources. • Yearly operating costs increase by 10% to 12%. • One-time financial cost between $50,000 and $100,000.

20

3	Serious	• Council suffers limited political and/or reputation damage. • The Chief Executive and senior management need to be briefed and regularly updated. • Council breaches its compliance obligations. • Media interest is sustained for less than a week with minor criticism levelled at Council. • Key stakeholders need to be informed and kept up to date with any developments that affect them. • External/independent investigation is conducted by law enforcement and/or government agencies. • Most communications and recovery can be managed internally.	• Health and safety incident involving multiple members of staff or one or more members of the public. • The injured party or parties suffer injuries with long-term effects and are not permanently affected. • Council's safety practices are questioned and found to be inadequate.	• Compromise of the strategic objectives and goals of Council. • Moderate impact on service delivery across one or more business unit's due to prolonged service failure. • Staff work hours are increased by less than 25% (8 – 10 hours per week) for a two to four-week period. • Between a 1% and 3% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating.	• Impact can be managed with some re-planning and modest extra financial or human resources. • Yearly operating costs increase by 7% to 10%. • One-time financial cost of $20,000 to $50,000.
2	Moderate	• Senior management and/or key stakeholders believe that Council's reputation has been damaged. • The Chief Executive needs to be advised and SLT needs to be briefed. • Media interest is short-lived (i.e., a couple of days) and no blame is directed at Council. • Key stakeholders need to be informed. • Communications and recovery can be managed internally.	• Minor health and safety incident involving multiple members of staff or a member of the public. • The injured party or parties suffers minor injuries with only short-term effects and are not permanently affected.	• Minor impact on service delivery across one or more business unit's due to brief service failure. • Limited effect on the outcomes and/or objectives of more than one business unit. • Staff work hours are increased by less than 15% (6 hours per week) for less than two weeks. • Less than a 1% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating.	• Impact can be managed within current resources, with some re-planning. • Increase of between 5% and 7% in yearly operating costs. • One-time financial cost between $10,000 and $20,000.
1	Minor	• Reputation is not affected. • No media attention. • All communications and recovery can be managed internally.	• No loss or significant threat to health or life. • Council's safety practices are questioned but are found to be appropriate.	• Limited effect on the outcomes and/or objectives of a business unit. • Staff work hours are increased by less than 5% (1 - 2 hours per week) for less than seven days. • No increase in staff turnover because of the risk eventuating.	• Impact can be managed within current resources, with no re-planning. • Increase of less than 5% in yearly operating costs. • One-time financial cost of less than $10,000.

21

22

Material Risks Summary – March 2019

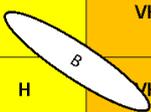| Rank	Risk Description: Rewrite of risk statement to be considered at 4/03/2019 risk workshop	Inherent Risk Rating Rated before controls are implemented	Residual Risk Rating Rated after controls are implemented
1	**H&S – Workers (incl. contracted workers & volunteer workers)** Failure to create and maintain a safe environment for staff leading to death or a serious injury incident.	Extreme* Very High	High**
2	**H&S - Community** Failure to create and maintain a safe environment for the community leading to death or a serious injury incident.	Extreme* Very High	High**
3	**Failure of critical assets** Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Extreme	High
4	**Failure of BCP** Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.	Very High	Medium
5	**Inadequate civil defence response** Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.	Extreme	Very High
6	**Financial Strategy Failures** Implementation of Council's Financial Strategy is not effective in guiding appropriate decision making to meet the financial pressures associated with maintaining the assets and amenities of the city whilst investing in growth infrastructure.	High	High
7	**Cyber attack** Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.	Very High	Very High
8	**Poor data, analysis and response** Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.	Very High	Medium

* There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

** Council takes the safety of our people and the community seriously and are working hard to reduce the likelihood of a serious harm incident. Due to the focus and definition of this risk relating to death or a serious injury, the risk rating (and by extension the target risk rating) can never reduce below 'High' because we consider the consequence to be 'catastrophic'.

Risk Description	Rank
H&S – Workers includes contracted and volunteer workers Failure to create and maintain a safe environment for HCC workers leading to death or a serious injury incident.	**Rank 1**

Risk Owner	David Bryant (GM Corporate)	**Category**	People

Risk Triggers
• H&S roles and responsibilities across the organisation not fully understood or accepted • Poor understanding of the H&S risks within the organisation • H&S management system ineffective or inefficient • Poor safety / organisational culture • Human error / inappropriate behaviours / complacency • Unsafe or poorly maintained equipment

Inherent Risk

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury or death

(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations
• Health and Safety Management System – system development phases • Includes plans, procedures for work practices/activities for all high-risk areas • Pre-qualification engagement program – contractors • Organisation engagement survey

Residual Risk

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury or death

(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

2

Further Actions Required	Update – March 2019	Action Owner
• Establish a governance framework for the engagement and management of contractors.	• HCC currently has established an H&S governance framework called H&S Road Map and has been in its implementation phase for the past 6 months. • Risk Workshop on 4/03/2019 will identify and discuss strategic management questions to support overall management of H&S within Council.	Dan Finn (People Safety & Wellbeing Manager)
• Enhance the safety behaviours / culture program (take it to the next level of maturity).	• Council's safety behaviours and culture program will be discussed in the risk workshop 4/03/2019 and 5/03/2019	
• Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions.	• Council has recruited a new H&S Assurance Lead and a renewed approach to establishing Councils assurance framework is being established. This topic will likely be discussed further in the risk workshops prior to the Audit & Risk Committee meeting.	
• Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls.	• Council have 12 H&S Critical Risks identified and these will be discussed in the risk workshop to provide a wider understanding of where improvements in management are underway.	

3

Risk Description		Rank
H&S - Community Failure to create and maintain a safe environment for the community leading to death or a serious injury incident.		**Rank 2**
Risk Owner	Eeva-Liisa Wright (GM City Infrastructure Ops) Chris Allen (GM Development) Lance Vervoort (GM Community) Sean Hickey (GM Strategy and Communications)	**Category** People

Risk Triggers
• Inadequate understanding of the scope of HCC's health and safety responsibilities towards the community • Poor HCC understanding of the H&S risks within the Community • Failures in safety-in-design planning for our amenities and services provided to the community • Human error / inappropriate behaviours / Crime

Inherent Risk

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

Ⓐ Risk of serious injury or death

Ⓑ Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations
• Asset maintenance programmes - AMPS • Includes Plans, procedures for work practices/activities for all high-risk areas • Includes Pre-qualification engagement program – contractors • Audit functions implemented with risk assessment practices embedded within BU's. • Call Centre feedback and HCC Website capability for community to report hazards. Incl social media monitoring by Communications • Specific Competency and Training Programmes – Pools, Arborists, City Safe • City Safe - CCTV cameras (64 Crime prevention, 40+ Transportation and 103 facility cameras)

Residual Risk

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

Ⓐ Risk of serious injury or death

Ⓑ Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

4

Further Actions Required	Update – March 2019	Action Owners
• Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions.	• Council have identified this material risk focuses on failures to our safety in design for any asset Council designs, constructs and provides to the community for use. • The risk workshop on 4/03/2019 will discuss this material risk in detail and confirm with Elected Members and SLT their input as to management of this risk and expectations.	Tania Hermann (CI Group Business Manager) Andrew Parsons (Strategic Development Manager) Maria Barrie (Parks and Recreation Manager) Paul Gower (Programme Manager – Growth & Assets)
• Enhance understanding of key risk scenarios and commonality of critical controls.	• Further workshops for the organisation business units are required to identify key safety in design practices to understand current controls and mitigation practices.	
• Ensure on-going monitoring of effectiveness of critical controls where community is exposed.	• Due to the renewed approach to managing this material risk, it is expected an assurance framework will be established and implemented to provide progress and monitoring reporting for this committee meeting.	

5

Failure of critical assets Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).			Rank: 3	
Risk Owner	Eeva-Liisa Wright (GM City Infrastructure Operations)	**Category**	Financial	

Risk Triggers

- Inadequate budget allocated for maintenance and renewal of critical assets
- Incorrect analysis in development of maintenance and renewal requirements
- Poor or incomplete asset data
- Failure to identify all critical assets
- Failure to carry out planned maintenance and renewal of critical asset

Inherent Likelihood		**Inherent Consequence Drivers** Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural		**Inherent Risk Rating**	Extreme
	Almost Certain		Catastrophic		

Existing Controls and Mitigations

- Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM Development
- Critical asset groups have been identified and management strategies for these assets are documented.
- Activity Management Plan (AMP) renewals are fully funded over in the 10-Year Plan Budget and critical assets are given a higher priority for renewal.
- Activity Management Plans were internally and externally reviewed to help identify if budgets are adequate.

Residual Likelihood		**Residual Consequence Drivers** Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural		**Residual Risk Rating**	Very High
	Unlikely		Catastrophic		

6

Further Actions Required	Update – March 2019	Action Owners
• Review critical asset framework and identify all critical assets at a component level within the appropriate asset management system i.e. IPS or RAMM.	• Critical assets have been identified and managed as per controls. This will be part of the discussion at risk workshop 4/03/2019 to determine strategic risk management approaches rather than operational.	Paul Gower (Growth and Assets Manager)

Maire Porter (City Waters Manager)

Bridget Morgan (Water Asset Manager)

Robyn Denton (Transportation Manager) |
• Ensure there are asset management strategies in place for all critical assets at an appropriate level and detail.	• PwC are undertaking a review of maintenance planning for critical assets. Expected completion is March 2019 which will support the development of critical asset management strategies.	
• Mapping of critical assets across the city.	• Action completed for Transportation, Water Supply and Wastewater assets. Is no longer required.	
• Implement the updated 2018/19 asset management improvement programme to continue to lift asset management practises across Council.	• Purpose of this improvement programme is to be discussed whether this is a strategic risk or operational risk management strategy at the risk workshop 4/03/2019	

7

Failure of BCP

Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.

Rank: 4

Risk Owner	David Bryant (GM Corporate)	Category	Disaster Recovery/ Business Continuity

Risk Triggers

- Business Continuity Plans are not communicated effectively
- Untested Business Continuity Plans
- Business Continuity Plans haven't contemplated all the scenarios
- Business Continuity Management framework not established, implemented or communicated within organisation
- Business Continuity Plans are untested, inadequate, not communicated effectively, or are not up to date.

Inherent Likelihood	Likely	Inherent Consequence Driver Service Delivery	Serious	Inherent Risk Rating	Very High

Existing Controls and Mitigations

- Business Continuity Plans in place for all critical activities and business units
- HCC Crisis Management Guide has been established in support of an integrated response capability.
- Business Continuity Plans are reviewed quarterly by Risk & Insurance business unit
- Business Continuity Plans are integrated as part of asset management planning
- Business Continuity Plans are reviewed on an ad hoc basis by Internal Audit

Residual Likelihood	Unlikely	Residual Consequence Driver Service Delivery	Serious	Overall Residual Risk Rating	Medium

Further Actions Required	Update – March 2019	Action Owner
• Visibility and ownership of Business Continuity Plans to be outlined to all SLT members.	• SLT risk discussions have identified this material risk is a mitigation for other material risks currently being managed. • The risk workshop for both 4th and 5th /03/2019 will propose the removal of this risk and merge as a mitigation into the two material risks identified.	Andre Chatfield (Risk & Insurance Manager)

8

Inadequate civil defence response	Rank: 5
Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.	

Risk Owner	Jen Baird (GM City Growth)	Category	Disaster Recovery

Risk Triggers
• Poor response management and knowledge across HCC
• Poor understanding of requirements to support Hamilton City in an event
• Lack of experience with real life emergency situations
• Turnover of trained staff
• Poor contract management
• Lack of critical equipment and resourcing
• Cross-jurisdictional responsibilities
• Poor critical asset management

Inherent Likelihood		Inherent Consequence Driver		Inherent Risk Rating	Extreme
	Likely	Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic		

Existing Controls and Mitigations
• Established emergency training program implemented for council staff
• Co-location Emergency Operations Centre (EOC) in dedicated leading-edge emergency operating centre (GEMO) with built in redundancy
• Civil Defence Standard Operating Plans and Procedures – full review underway
• Robust exercise schedule to test preparedness and response functionality
• Annual external Capability Assessment conducted to determine progress and risks
• Audits from the Ministry of Civil Defence and Emergency Management every 3 years

Residual Likelihood		Residual Consequence Driver		Residual Risk Rating	Very High
	Unlikely	Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic		

9

Further Actions Required	Update – March 2019	Action Owners
• Monitoring of Service Level Agreement (SLA) in place with Waikato Regional Council and bi-annual progress reports. • Review and communicate emergency response procedure to lift civil defence awareness through the organisation. • Develop succession plan for critical Emergency Management knowledge.	• This material risk will be discussed in the risk workshop 4/03/2019 to determine the strategic risks to not only Council but also the City. • It is expected more in-depth questions at the risk workshop on response adequacy and capability at strategic levels is identified to support Councils expectations. • Waikato's Group CD Emergency Management Office situated at the Genesis facility is fully functional and integrated with Councils emergency functions.	Kelvin Powell (City Safe Manager, City Civil Defence Controller) Andre Chatfield (Risk & Insurance Manager, City Civil Defence Alternate Controller)

10

Financial Strategy Failures Implementation of Council's Financial Strategy is not effective in guiding appropriate decision making to meet the financial pressures associated with maintaining the assets and amenities of the city whilst investing in growth infrastructure	Rank: 6

Risk Owner	Richard Briggs (CE)	Category	Financial

Risk Triggers
• Materially incorrect financial strategy assumptions • Significant unforeseen event

Inherent Likelihood	Possible	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious	Inherent Risk Rating	High

Existing Controls and Mitigations
• The Financial Strategy is reviewed three yearly in conjunction with the development of Council's 10-Year Plan and revised if appropriate. Part of this process includes a review of Council's Revenue and Financing Policy, Funding Needs Analysis Policy and Rating Policy and making any revisions where appropriate. • The Financial Strategy is reviewed three yearly in conjunction with the development of Council's Annual Plan and revised if appropriate. • The Financial Strategy is used to guide decision making where significant expenditure is required. Council's delegated authority limits result in these items being referred to meetings of the Council where details of the expenditure and associated risks are identified and reviewed before decisions are made. • Council's Monitoring Report is used to provide visibility of Council's financial performance at each Finance Committee. This enables comparison to Council's Financial Strategy limits and for any irregularities to be discussed and addressed. • Internal financial reporting is used to provide visibility of Council's financial performance at each monthly Senior Leadership Team meeting. This enables comparison to Council's Financial Strategy limits and for any irregularities to be discussed and addressed.

Residual Likelihood	Possible	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious	Residual Risk Rating	High

11

Further Actions Required	Update – March 2019	Action Owner
• A key focus of the new Financial Strategy is to limit Council's debt to revenue ratio to 230%. A review of the format and content of Financial Strategy reporting to Council is required to ensure transparency and appropriateness of information to inform Council decision making.	• A set of three reports have been developed to provide elected members with transparency on Council's actual financial performance and impact on Financial Strategy limits. This enables Council to make spending decisions with full knowledge of the impact of those decisions on Council's Financial Strategy. • The three reports are presented to Council's Finance Committee on a six weekly cycle. • The reports are the Capital Portfolio Monitoring Report, the Annual Monitoring Report, and the Financial Strategy Monitoring Report.	David Bryant (GM Corporate)

12

Cyber attack Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.			Rank: 7	
Risk Owner	David Bryant (GM Corporate)	**Category**	Technology/ Information/ Data Management	

Risk Triggers
• Inadequate IT security environment
• Staff not following IT security procedures [lack of general awareness / culture]
• Targeted and potentially malicious exploitation of security vulnerabilities in operating systems or applications

Inherent Likelihood		Inherent Consequence Driver Information Management/ Information Technology, Service Delivery, Safety & Wellbeing		Inherent Risk Rating	Very High
	Possible		Catastrophic		

Existing Controls and Mitigations
• 3 Lines of Defence implemented (1) Hardware + Systems Controls (2) Process Management (3) technical Experts – architects, technical and operations personnel (i.e. Fujitsu)
• Managed desktop environment implemented conforms with DIAAOG – (Department of Internal Affairs and All of Government) desktop offering and standards
• Data and system backups – daily, weekly, monthly regime aligned to critical services list
• Disaster Recovery Plan (DRP)
• Technical support from key vendors - Microsoft and Fujitsu
• IT Security Management Policies and Procedures
• External and internal security audit and reviews

Residual Likelihood		Residual Consequence Driver Information Management/ Information Technology, Service Delivery		Residual Risk Rating	Very High
	Unlikely		Catastrophic		

13

Further Actions Required	Update – March 2019	Action Owners
• Existing actions have been managed consistently and a 'deep dive' into this material risk has been conducted involving subject matter experts internal and external to Council.	• The risk workshop on 4/03/2019 is expected to raise in-depth discussion as to the big strategic risks to Council for Cyber Attacks and the changing environment. • It is expected these discussions will generate alternative actions to be identified for reporting purposes to this committee.	Mike Lamb (Chief Information Officer - CIO) Peiter Bronkhorst (Chief Technical Officer – CTO)
• Enhance understanding of key activities where we need back up or manual intervention.	• All key activities have been identified and part of business as usual (BAU) processes.	
• Develop action plans to ensure there is a backup in place for critical activities.	• The Disaster Recovery Plan (DRP) includes a backup regime and action plans are in place for critical services.	
• Ensure on-going monitoring of effectiveness of critical controls.	• IS have an internal and external monitoring capability in place. Unusual activities are communicated to the CIO and CTO as part of BAU.	
• Develop and implement procedures for monitoring unusual network activity.	• Monitoring of unusual network activities has increased and is still considered a BAU process with the 'three lines of defence' approach established and implemented. *Note:* In the September 2018 Audit & Risk Committee meeting the CIO, CTO and PwC provided a deep dive on this risk.	

14

Poor data, analysis and response Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.			Rank: 8	
Risk Owner	Jen Baird (GM City Growth)	**Category**	Strategic	

Risk Triggers					
• Inadequate modelling and scenario planning • Inadequate data inputs • Poor cross-organisational sharing of data • Inadequate access to analytical skills					
Inherent Likelihood	Likely	**Inherent Consequence Driver** Social, Cultural and Environment	Major	**Inherent Risk Rating**	Very High

Existing Controls and Mitigations

- District plan renewed every 10 years and undergoes a rigorous consultation and appeal process
- Future proof growth modelling around sub-regional plans are reviewed by the Executive Director Special Projects
- Growth forecasts and modelling around developer contributions reviewed by General Manager City Growth
- Quarterly reviews (part of the Hamilton Urban Growth Strategy) to monitor progress against the plan in terms of serviceable land availability. Results of the monitoring are reported through to the Senior Leadership Team for discussion and action
- Core inputs prepared by external experts "Market Economics" modelling and reviewed by BERL
- Council has two dedicated FTE's responsible for data analytics for Growth Group.
- New Development Contribution model and tool has been established to provide improved data analysis. Hamilton Housing Market & Economy Growth Indicator Report Adopted across the sub-region
- A Scenario Management Process for DC Model established, externally peer reviewed and auditable by NZ Audit.
- New Growth Funding & Analytics Unit has been formally created, with objectives outlined in the Unit's SPT
- Quarterly analysis of external housing, market drivers is captured in the Hamilton Housing Market & Economy Growth Indicator Report
- NPS is enacted by legislation. A sub-regional review of land use, demand and supply has now been completed.

Residual Likelihood	Unlikely	**Residual Consequence Driver** Social, Cultural and Environment	Major	**Overall Residual Risk Rating**	High

15

Further Actions Required	Update – March 2019	Action Owner
• Establish a process of rigorous modelling and scenario planning • Establish a suite of relevant, trusted data sources	• This material risk will be discussed at the risk workshop 4/03/2019 as to its purpose and accuracy of the risk description.	Greg Carstens (Economic Growth & Planning Manager)

16

Emerging Risks

Emerging risks are risks which may develop or which. already exist and are difficult to quantify and may have a high consequence loss potential.

Risk Owner	Richard Briggs (Chief Executive)	Category	Strategic

Note* This section is a proposed strategic discussion at Audit & Risk Committee meetings to understand why Council need to monitor and report risk activities with the potential to impact Councils strategies and objectives.

Trending Risks

This section will raise the most common emerging risks being discussed and monitored within NZ by not only Central and Local Government but also industry. They will not be ranked but open to discussion in the event the emerged risk materialises and potential impacts this will have on Council, the City and the Community.

Examples
- Urban Growth
- Climate Change
- Water quality and quantity
- Fraud activities and societal trends
- Technology – artificial intelligence

17

APPENDIX A – RISK RATING

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

This matrix also provides an indication of the correlation between risk appetite and risk tolerance levels Senior Leadership Team and Council are prepared to accept relevant to the key service areas discussed throughout this document.

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	M	H	VH	E	E
	Likely	M	H	VH	VH	E
	Possible	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Rare	L	L	L	M	M

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

18

APPENDIX B – ACTION REQUIRED AND REPORTING

The following table details the required actions and reporting for each risk:

	ACTION REQUIRED FOR RISK	RISK REPORTING	
		Organisational Risks	**Project Risks**
E	**Extreme Risk** – Immediate action required: Risk escalated as appropriate to the Audit & Risk Committee. Action plans and management responsibility specified with scrutiny required. Only the Chief Executive and/or Council/Audit and Risk Committee can accept this level of risk.	ARC (Quarterly) SLT (Monthly)	Council Finance Committee (Six Weekly) Programme Manager (Monthly) Project Sponsor (Monthly)
VH	**Very High Risk** – Senior Leadership Team advised. Action plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.	ARC (Quarterly) SLT (Monthly)	Council Finance Committee (Six Weekly) Programme Manager (Monthly) Project Sponsor (Monthly)
H	**High Risk** – Senior Leadership Team advised. Action plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.	SLT (Monthly)	Council Finance Committee (Six Weekly) Programme Manager (Monthly) Project Sponsor (Monthly)
M	**Medium Risk** – Management responsibility specified. Managed by specific monitoring and procedures. The relevant programme, unit manager or risk manager can accept this level of risk.	Wider Leadership Group (As required)	Program Manager (Monthly)
L	**Low Risk** – Manage by routine procedures. Unlikely to require specific application of resources. The relevant activity manager can accept this level of risk.	Wider Leadership Group (As required)	Program Manager (Monthly)

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

19

APPENDIX C – RISK MATRIX LEGEND

Risk Matrix Legend					
	Description	Reputation	Health and Safety	Service Delivery (Strategy incl)	Financial
5	Catastrophic	• Council suffers severe political and/or reputational damage that cannot easily recover from. • Council suffers severe negative reputational impact, and the Mayor loses confidence in senior management. • Mayor and Chief Executive need to be briefed and regularly updated. • Media interest is sustained for a prolonged period (i.e., over a week) with major criticism levelled at the Council. • Council breaches multiple laws, which leads to legal action by affected stakeholders. • External/independent investigation conducted by law enforcement and/or government agencies.	• Loss of life. • Major health and safety incident involving members of staff and/or members of the public. • The injured party or parties suffer major injuries with long-term effects that leave them permanently affected. • An external authority investigates Council's safety practices and Council is found to be negligent.	• Severe compromise of the strategic objectives and goals of the Council. • Severe on-going impact on service delivery across Council and business units. • Skills shortages severely affect the ability of Council to meet its objectives and goals. • Staff work hours are increased by more than 50% (20 hours per week) for more than 30 days. • Between a 10% or more increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating	• Impact cannot be managed without additional funding from Council. • Impact cannot be managed without significant extra human resources. • Yearly operating costs increase by more than 12%. • One-time financial cost greater than $100,000.
4	Major	• Council suffers significant political and/or reputational damage. • Council suffers reputational damage and loses confidence in senior management. • Mayor and Chief Executive need to be briefed and regularly updated. • Media interest is sustained for up to a week with minor criticism levelled at Council. • Key stakeholders need to be informed and kept up to date with any developments that affect them. • Council breaches the law, which leads to legal action by affected stakeholders. • External/independent investigation conducted by law enforcement and/or government agencies. • Communications and recovery can be managed internally.	• A significant health and safety incident involving multiple members of staff and/or members of the public. • The injured party or parties suffer significant injuries with long-term effects that leave them permanently affected. • WorkSafe investigates Council's safety practices and Council is found to be inadequate.	• Significant compromise of the strategic objectives and goals of Council. • Compromise of the strategic objectives of Hamilton City. • Significant on-going impact on service delivery across one or more business units. • Skills shortages affect the ability of Council to meet its objectives and goals. • Staff work hours are increased by more than 38% (10 – 15 hours per week) for 30 days. • Between a 3% and 10% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating.	• Impact cannot be managed without re-prioritisation of work programmes. • Impact cannot be managed without extra financial and human resources. • Yearly operating costs increase by 10% to 12%. • One-time financial cost between $50,000 and $100,000.

20

3	Serious	• Council suffers limited political and/or reputation damage. • The Chief Executive and senior management need to be briefed and regularly updated. • Council breaches its compliance obligations. • Media interest is sustained for less than a week with minor criticism levelled at Council. • Key stakeholders need to be informed and kept up to date with any developments that affect them. • External/independent investigation is conducted by law enforcement and/or government agencies. • Most communications and recovery can be managed internally.	• Health and safety incident involving multiple members of staff or one or more members of the public. • The injured party or parties suffer injuries with long-term effects and are not permanently affected. • Council's safety practices are questioned and found to be inadequate.	• Compromise of the strategic objectives and goals of Council. • Moderate impact on service delivery across one or more business unit's due to prolonged service failure. • Staff work hours are increased by less than 25% (8 – 10 hours per week) for a two to four-week period. • Between a 1% and 3% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating.	• Impact can be managed with some re-planning and modest extra financial or human resources. • Yearly operating costs increase by 7% to 10%. • One-time financial cost of $20,000 to $50,000.
2	Moderate	• Senior management and/or key stakeholders believe that Council's reputation has been damaged. • The Chief Executive needs to be advised and SLT needs to be briefed. • Media interest is short-lived (i.e., a couple of days) and no blame is directed at Council. • Key stakeholders need to be informed. • Communications and recovery can be managed internally.	• Minor health and safety incident involving multiple members of staff or a member of the public. • The injured party or parties suffers minor injuries with only short-term effects and are not permanently affected.	• Minor impact on service delivery across one or more business unit's due to brief service failure. • Limited effect on the outcomes and/or objectives of more than one business unit. • Staff work hours are increased by less than 15% (6 hours per week) for less than two weeks. • Less than a 1% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating.	• Impact can be managed within current resources, with some re-planning. • Increase of between 5% and 7% in yearly operating costs. • One-time financial cost between $10,000 and $20,000.
1	Minor	• Reputation is not affected. • No media attention. • All communications and recovery can be managed internally.	• No loss or significant threat to health or life. • Council's safety practices are questioned but are found to be appropriate.	• Limited effect on the outcomes and/or objectives of a business unit. • Staff work hours are increased by less than 5% (1 - 2 hours per week) for less than seven days. • No increase in staff turnover because of the risk eventuating.	• Impact can be managed within current resources, with no re-planning. • Increase of less than 5% in yearly operating costs. • One-time financial cost of less than $10,000.

21

22

Council Report

Committee:	Audit & Risk Committee	**Date:**	05 March 2019
Author:	Morva Kaye	**Authoriser:**	David Bryant
Position:	Internal Auditor	**Position:**	General Manager Corporate
Report Name:	Organisational Improvement Register Report		

Report Status	*Open*

Purpose

1.   To inform the Audit and Risk Committee on the status of the Council's Organisational Improvement Register as at 31 December 2018.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Background

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

Discussion

3.   The 34 recommendations relate to:

Fixed assets	16 outstanding matters. 14 of these will be completed as part of the Kookiri Project, by streamlining business processes and improved reporting through the integration of the asset subledger and the general ledger. 5 matters are on track to be completed by 30 June 2019.
Information services	7 outstanding matters, all are on track to be completed by 30 June 2019.
Various e.g. update policies, internal controls	11 outstanding matters of which 9 are on track to completed by 30 June 2019.

4.   More than 23 recommendations are on track to be completed by the end of the financial year and closed, pending sign off by Audit New Zealand.

5.   14 items will be sent to Audit New Zealand for re-auditing at the first interim audit in April 2019 with the balance planned to be completed for re-audit at the second interim audit in May 2019 or the final audit in August 2019.

Financial Considerations

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

Legal and Policy Considerations

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

Risks

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

Cultural Considerations

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

Significance & Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - Organisational Improvement Register February 2019 AR .

Organisational Improvement Register as at 28 February 2019

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

Indicator	Risk identified	Audit recommendation/status	Risk rating	Owner	Target completion date	Action / update
Plant, property and equipment - monthly reconciliations	High level reconciliations are prepared between IPS (previously Hansen 8), AX Fixed Asset Registers and the GL. However, no reconciliation is performed over additions and disposals between IPS and the GL. We understand that a process for reconciling additions and disposals between IPS and the GL is being developed. The reconciliations performed to date have identified a number of reconciling items, which are in the process of being investigated and resolved.	2018 Council to ensure disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.	High	Tracey Musty	30/06/18	Update: February 2019 Monthly reconciliations, including additions and disposals, between IPS (sub-ledger) and general ledger are being completed and independently reviewed. *Previous comment: October 2018* *Monthly reconciliations, including additions and disposals, between IPS (sub-ledger) and general ledger are being completed and independently reviewed.*
Property, plant and equipment – work in progress	We recommended that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We recommended that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	2018 Note delays in the capitalisation of work in progress, with a total of $30.5 million of work in progress identified by management as complete and in use at balance date, but not yet capitalised in the system. 2017 Note delays in the capitalisation of work in progress.	High	Tracey Musty	30/06/19	Update: February 2019 Improvements continue to be made to processes for capitalising new assets, which has resulted in the organisation improving capitalisation rates throughout the year. Focus has also been on processing some of the oldest outstanding WIP, the balance was $14.3m as at 31 December 2018 (down from $30.5m in June 2018). *Previous comment: October 2018* *A Capital WIP Assessment has been completed by PWC as part of the Internal Audit programme. This includes recommendations that are being reviewed and incorporated into work programmes. The Business is currently focussed on clearing the $30m balance. Capitalisation activity over the last 12 months has cleared a significant amount of older WIP that has been complex and time consuming to process. Improvements have been made to monitoring processes and reports to better track performance of the entire capitalisation system.*
Property, plant and equipment – timely capitalisation of vested assets	We recommended that asset managers provide information to the finance team (asset accountant) on a monthly basis to ensure vested assets are capitalised in a timely manner.	2018 We continue to note delays in the capitalisation of vested assets, with a total of $22.9 million of assets vested during the period uncapitalised during the period. For further comments on this year's findings please refer to section 3.2 Management Report for the year ended 30 June 2018. 2017 This issue remains outstanding.	High	Tracey Musty	30/06/19	Update: February 2019 The recommendation on improving the timeliness of capitalising vested assets is also being implemented and tracked. Improvements to monitoring of performance of the capitalisation system has been developed to better track progress. *Previous comment: October 2018* *A Capital WIP Assessment has been completed by PWC as part of the Internal Audit programme. This included focus on the capitalisation of vested assets. The recommendations from this assessment have already been implemented. The recommendation on improving the timeliness of capitalising vested assets is also being implemented and tracked. Improvements to monitoring of performance of the capitalisation system has been developed to better track progress.*

Item 11

Council Report

| **Committee:** | Audit & Risk Committee | **Date:** | 05 March 2019 |

Author: Morva Kaye

Authoriser: David Bryant

Position: Internal Auditor

Position: General Manager Corporate

Report Name: 2018/19 Internal Audit Update 28 February 2019

Report Status	*Open*

Purpose

1.   The purpose of this report is to update the Audit and Risk Committee on Internal Audit progress to 28 February 2019.

Staff Recommendation

That the Audit and Risk Committee:

   a)   receives the report;

   b)   notes the progress against the PwC Internal Audit Plan and reports completed;

   c)   notes the Hamilton City Council Internal Audit work undertaken and reports completed; and

   d)   notes that planning is commencing for the Internal Audit Programme for the next 3 years.

Discussion

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

KEY

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

3. **PwC Internal Audit Plan – progress summary**

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

Engagement	Status
Capital Project Delivery This engagement start has been delayed due to the implementation of new processes and systems within the newly formed development group.	
Asset Maintenance Data This engagement has been completed and the final report is attached.	
Asset Management and Operating Expenditure Fieldwork for this engagement was started in February 2019.	
Revenue This engagement has been completed and the final report is attached.	
Process Optimisation – Procurement No progress to date.	

5. **Hamilton City Council – internally resourced internal audit**

6. Progress against the work programme is as follows:

Engagement	Status
Vehicle Fleet Process and Controls Close out meeting scheduled at end of February 2019.	
Expense Claims Process and Controls Not yet started.	
Payroll Bank Changes Process and Controls Assessment completed, and the final report is attached.	
Contracts Insurance This is currently being scoped. It will cover checking a sample of contracts to ensure that the appropriate insurance documentation has been received.	
Cash Handling and Revenue for Parking This is currently being scoped. It will cover the controls over cash handling and revenue for both on-street and off-street parking areas.	

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

8.   **Internal Audit Programme Planning**

9.   Following the risk workshop on 4 March 2019, the Internal Audit Programme for the next 3 years will be developed. This will cover both the PwC engagements and Council's internal auditor engagements.

Financial Considerations

10.   The cost of the PwC annual internal audit programme is $150,000 (GST excl) and is budgeted.

Cultural Considerations

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

Significance & Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - PwC - Predictive maintenance report

Attachment 2 - PwC - HCC Revenue February 2019 .

Hamilton City Council Predictive Asset Maintenance: Wastewater Pumps Current State

FINAL Report
20 February 2019

pwc

pwc

Eeva-Liisa Wright
General Manager Infrastructure Operations
Hamilton City Council
Private Bag 3010
Hamilton 3240

20 February 2019

Dear Eeva-Liisa

Predictive Maintenance - Wastewater Pumps

In accordance with our Contract dated 1 July 2017, the Terms of Reference dated 1 March 2018 and addendum dated 23 October 2018, we are pleased to report the findings and recommendations arising from our work in respect of predictive maintenance for wastewater pumps at Hamilton City Council.

We would welcome the opportunity to discuss our findings and recommendations in the report with you.

Yours sincerely

Sharon Cresswell
Partner
PricewaterhouseCoopers
Hamilton, New Zealand

Pete Chambers
Partner
PricewaterhouseCoopers
Auckland, New Zealand

Introduction

This internal audit relates to the HCC material risks of failure of critical assets, financial strategy failures and poor data, analysis and response. It is part of a number of internal audits focussed on asset management processes.

Asset maintenance is a core function of Hamilton City Council (HCC). Until recently, the financial reporting has indicated that overall planned maintenance was generally underspent and asset classes were being maintained on a more reactive basis, as reactive maintenance spend was higher than budget each year.

The 2018-28 Long Term Plan has allocated more funding to improve the planned maintenance processes for many assets. This will allow HCC to better look after existing assets to ensure levels of service are maintained, asset life is maximised and cost minimised.

Nevertheless, moving further towards a more predictive maintenance approach (where this is appropriate for the particular asset) would further support the optimisation of the asset over its lifetime and ensure maintenance is only performed when necessary, thereby removing unnecessary cost and time from the process. As a result, predictive maintenance can extend the lifetime of an asset, reduce down time and improve cost effectiveness of the maintenance function, optimising asset management.

As predictive maintenance is heavily based on the actual condition of the asset, access to historical and real-time data is essential. This report is based on findings from an initial assessment that looked at how predictive asset maintenance could be used for wastewater pumps. It highlights the benefits of this maintenance approach and suggests recommendations for moving forward in this area, accounting for HCC's current state and capabilities.

It should be noted that wastewater pumps have a current planned maintenance approach based upon industry practice and that predictive maintenance is a more advanced maintenance approach that still requires HCC to evaluate the cost and benefits, before being implemented.

Overall Conclusion

Having a more structured and data-led approach to asset maintenance through further development of their Maintenance Strategy and related Data Strategy has the potential to significantly advance HCC's asset management processes and reduce the unpredictable cost and impact of a predominately ad-hoc and reactive maintenance approach currently adopted for some assets.

Using the insights gained from assessing the current maintenance approaches and data available for wastewater pumps, this report recommends that HCC looks to adopt the key recommendations in order to improve asset maintenance processes and methods for all assets, including where appropriate, a move towards a more predictive maintenance solution.

In order to move towards more advanced asset management practices, HCC will have to invest in technology and resources to make better use of the current asset data it has as well as capturing the necessary additional data required for predictive maintenance. This investment will, over time, lead to cost efficiencies in maintenance activities and increase asset life, leading to reduced overall whole-of-life asset cost.

Why Predictive Asset Maintenance?

An Overview of Predictive Asset Maintenance

Traditionally, maintenance of assets is done on a preventative basis with asset inspections being performed on a set run time, regardless of whether the asset is in need of maintenance or on a reactive basis when an asset unexpectedly fails. Although the preventative maintenance programmes are regularly reviewed to ensure that they are operating effectively, they are not real-time and thus maintenance activities are not fully optimised. Predictive maintenance uses real time condition monitoring of components (e.g. vibration, flow-rates, component wear) along with the use of

Internal Audit Report   Confidential   Page 3 of 11

external data (e.g. rainfall, location) so that maintenance and/or replacement is condition-based (i.e. asset performance gained from knowledge of the operation of the asset), rather than time-based.

Predictive maintenance uses this data to monitor performance (which infers monitoring condition) and predict the likelihood of, and timeframe when future failures may occur. This will enable the identification of proactive and more precise maintenance tasks. The benefits of using a predictive maintenance approach may include:

- **Early detection**: Increased efficiency through fewer and less complex breakdowns and stoppages
- **Reduced unscheduled downtime:** Achieved through better prediction and programming of maintenance requirements
- **More accurate and reduced total life cycle costs:** Maintenance only occurs when needed, removing unnecessary maintenance visits thereby reducing labour and/or material costs
- **Improved asset lifecycle:** Achieved through lower levels of catastrophic failure, limiting ancillary damage as well as maximising asset longevity.

According to the U.S. Department of Energy, a properly functioning predictive maintenance programme can result in savings opportunities of 10% to 30%. Industry averages have shown reduction in maintenance costs of 25-30%, reduction of downtime by 35-45% and elimination of breakdowns of up to 70%.[1]

Predictive Maintenance supports optimisation over the lifetime of an asset
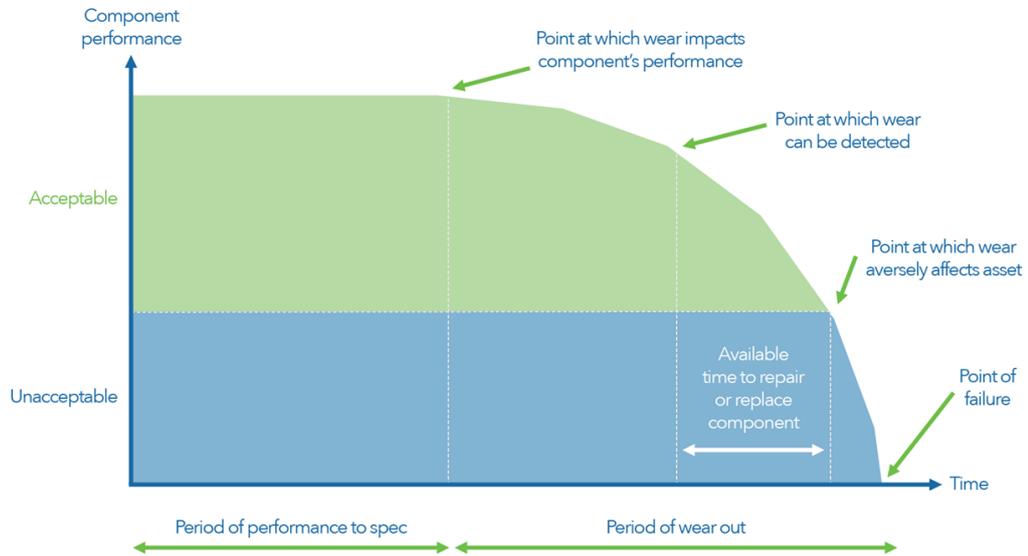
PwC Strategy & Maintenance Perspectives Practice meets theory across industries

The above diagram shows that the earlier or more precisely you can identify asset component wear, the more time you have to repair or replace the component before failure. Predictive maintenance that uses real-time data will generally identify wear earlier than a preventative maintenance approach that only checks an asset periodically.

[1] *United States Department of Energy, Federal Energy Management Program's Operations and Maintenance (O&M) Best Practices Guide*

Internal Audit Report   Confidential   Page 4 of 11

Feasibility of Predictive Maintenance at HCC

HCC is on a journey towards more advanced asset management practices as committed to in the Asset Management Policy. There are several planned and current improvements underway to enable future consideration of appropriate and fit for purpose asset maintenance approaches. This audit provides an early opportunity to provide recommendations to help shape these improvements.

A Maintenance Strategy is being further developed by reviewing the current maintenance approaches and considering alternative maintenance methodologies and balancing maintenance interventions with asset renewal requirements.

Current improvements include the development of a Data Strategy to review and guide future data needs and utilisation in an efficient manner. Work Order Data Acquisition (WODA) will enable in the field capture of work order and inspection data.

In light of the increase in long term plan funding allocated for asset maintenance HCC is looking to focus on maximising value and cost effectiveness of maintenance by optimising how assets are maintained, including through predictive methods where appropriate.

To ascertain the maturity of asset maintenance activities and HCC readiness (data availability) for a potential move towards using predictive maintenance, a sample asset class was chosen to test the feasibility of implementing a predictive maintenance solution with currently accessible data sets. Wastewater pumps were identified as the pilot asset class.

Rationale for wastewater pumps

While a structured approach to the best maintenance methodology relevant to a particular asset should be the long-term objective for all HCC assets, the maintenance team identified wastewater pumps as an immediate opportunity for assessing whether a predictive maintenance approach could be adopted. This was due to the availability of data as well as a good understanding of this asset class.

As part of the process, HCC devised the following problem statement to scope the engagement around predictive wastewater pump maintenance:

"How can we use data and analytics to further improve whole of lifecycle costs for wastewater pump stations while maintaining or improving levels of service?"

When tackling the above problem statement the following items were taken into consideration as design principles for the future state:

- funding challenges at HCC
- current data availability and the manner in which it is collected and used (is it valuable information)
- meaningful insights from the output (no reporting for reporting sake)
- no negative impact on present day service levels
- fit for purpose solution - simple predictive maintenance model to assist the maintenance team.

Wastewater pump asset current state

HCC has approximately 130 pump stations with approximately 400 pumps. Wastewater pump stations are critical assets in the operations of the wastewater network. There are at least 2 pumps per station, which is part of the risk mitigation and resilience built into the network.

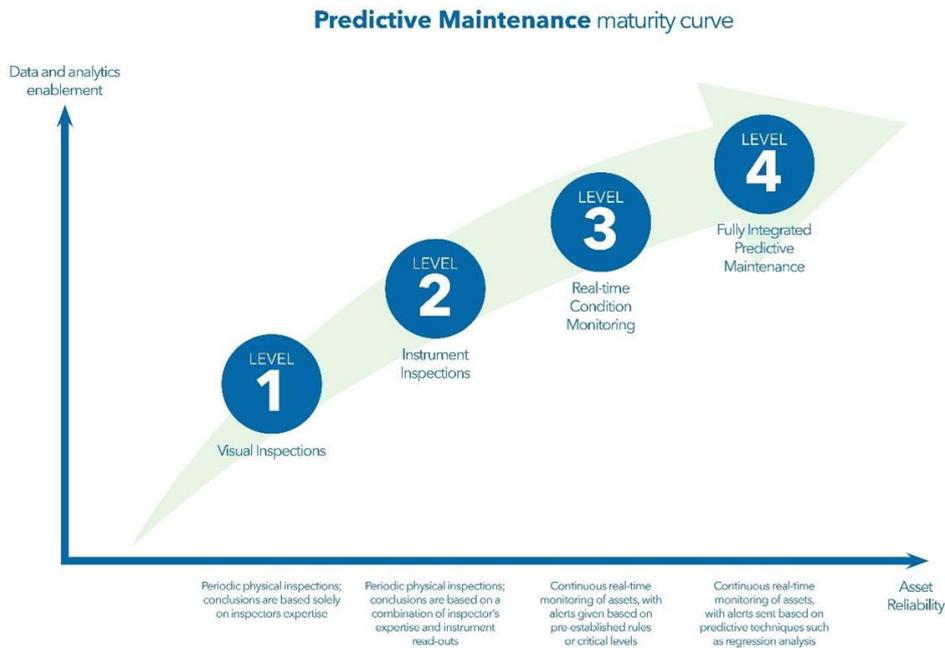The maintenance programme of wastewater pumps is split into two programmes:

- preventative maintenance based on location and run hours
- washdown programme based on environmental issues (mainly being fat build-up).

Reactive maintenance is where engineers will be deployed to review pump operations if changes to the standard operating parameters are identified through an alarm being triggered or trend detected.

Current preventative vs. reactive costs are difficult to obtain due to how work orders are recorded in IPS[2], means that you have to manually read each work order to ascertain what work was performed.

Predictive maintenance maturity assessment

Based on initial discussions with the HCC maintenance team it was agreed that current predictive maintenance maturity (for wastewater pumps) lies somewhere between Level 1 and 2 on the below curve, depending on the sub-asset type:

Predictive Maintenance maturity curve

Data and analytics enablement

LEVEL **1**
Visual Inspections

LEVEL **2**
Instrument Inspections

LEVEL **3**
Real-time Condition Monitoring

LEVEL **4**
Fully Integrated Predictive Maintenance

Asset Reliability

| Periodic physical inspections; conclusions are based solely on inspectors expertise | Periodic physical inspections; conclusions are based on a combination of inspector's expertise and instrument read-outs | Continuous real-time monitoring of assets, with alerts given based on pre-established rules or critical levels | Continuous real-time monitoring of assets, with alerts sent based on predictive techniques such as regression analysis |

PwC Strategy & Maintenance Perspectives Practice meets theory across industries

For wastewater pump stations, the following estimated levels of maturity were identified based on the first working session with the team:
- Infrastructure (access roads, wet wells, etc.): 1 out of 4
- Pumps: 2 out of 4
- Electrics and cabinets: 2 out of 4
- Control systems: 2 out of 4

The Infrastructure maturity of 1 out of 4 is appropriate given the type of assets that they are. The other three asset types are capable of being higher on the maturity curve than 2 out of 4, subject the type of maintenance strategy decided upon for the asset.

Identification of key indicators of pump failure

To answer the problem statement above, we held a workshop with the wastewater pump asset management team to identify what data needs to be captured to predict when maintenance should occur. Maintenance is done to prevent asset failure, therefore the indicators of failure determine the data to be captured.

[2] *IPS is an asset management system used by HCC.*

Agreeing on a definition of pump "failure"

In order to determine what event would need to occur to prompt pre-emptive maintenance the asset management team defined pump failure as a pump "not working as designed" or a pump that is "performing below its designed site specific capability" (i.e. any drop in performance below the designed flow-rate).

It was also, however, acknowledged that blockage events (from trade waste or residential sources) should be included in the pump failure definition since blocks are more likely to occur as the impeller wears.

Cause of failure is normally one of the following:
- electrical fault
- mechanical wear and tear on the impellers
- pump blockages due to foreign material
- complete failure (pump no longer operational)

Key indicators of pump failure/deterioration include:

Indicator	Data Available	Data in usable format
change in catchment flow rates	No	n/a
motor current too high or low	Yes	Yes
impeller wear (visual assessment/increasing frequency of blockages)	Yes	No
declining flow rates (measure actual flow rate vs design flow rate vs in-situ test flow rate)	Partly – only 10% of pumps have flow meters	No – not enough pumps have flow meters
2nd pump working in dry weather	Yes	Yes
length of time to empty chamber (e.g. designed to empty chamber in 30min, but takes 5 hours)	No	n/a
pump manufacturer's data on rate of failure	HCC don't have this information	n/a

Initial data assessment and maturity revision

HCC provided several batches of sample data relating to wastewater pumps which was then used to assess the suitability of a predictive maintenance model implementation with current data.

Our assessment of the data provided found the following deficiencies that need to be addressed before a predictive maintenance approach could be adopted for wastewater pumps.

Lack of real time data

One of the key requirements for a predictive maintenance approach is access to real time data (or at a minimum regular intervals), often from sensor recordings. Real time data ensures that a steady flow of dynamic data can be analysed and acted upon, seconds after the recording. This provides a robust and rich base of historical data to build the model.

Much of the data provided to date has been static in nature e.g. pump manufacturer and model, material, or notes recorded by engineers during inspections. The only dynamic data available is motor current recordings and wastewater pump run time. Pump condition scores are not available in

data friendly format (only scanned copies of inspection sheets are kept) and flow information is limited due to only 10% of pumps having flow meters installed.

In order to develop a predictive maintenance model, the accessibility of key operational data, both real-time and other condition-based data (regularly captured) needs to be addressed. In some cases, such as SCADA data, this is relatively straight-forward, but for other key data, this may involve some investment.

We understand that HCC are in the process of implementing WODA that will capture in-the-field asset inspection data electronically. This will assist in making this data more accessible going forward.

Inconsistent and unclear "failure" identification

The inconsistent recording of work order data by engineers means that analysis of historic wastewater pump failure is not immediately possible. Identifying a genuine failure generally requires manual and sometimes subjective examinations of comments and logs. Connecting the work order and motor current data also proves difficult as pumps may move between stations and failures are identified when a work order is raised and not necessarily during regular inspections.

Ability to analyse source asset information

Asset information is not located in one central database (i.e. some SCADA information is captured in the Historian data warehouse and other asset information is captured in the IPS) and is therefore heavily reliant on user knowledge to source and validate the data. This makes monitoring wastewater pump information such as impeller condition a manual and labour intensive process.

Conclusion

Based on the above findings around the current state of available data, it was agreed that a pilot predictive maintenance model for wastewater pumps cannot yet be created for HCC.

More readily available and accessible data (for enough of the indicators of failure) for wastewater pumps is needed to enable a predictive model to be built. Some data is currently captured, but HCC will need to enhance its accessibility in order for it to be useable.
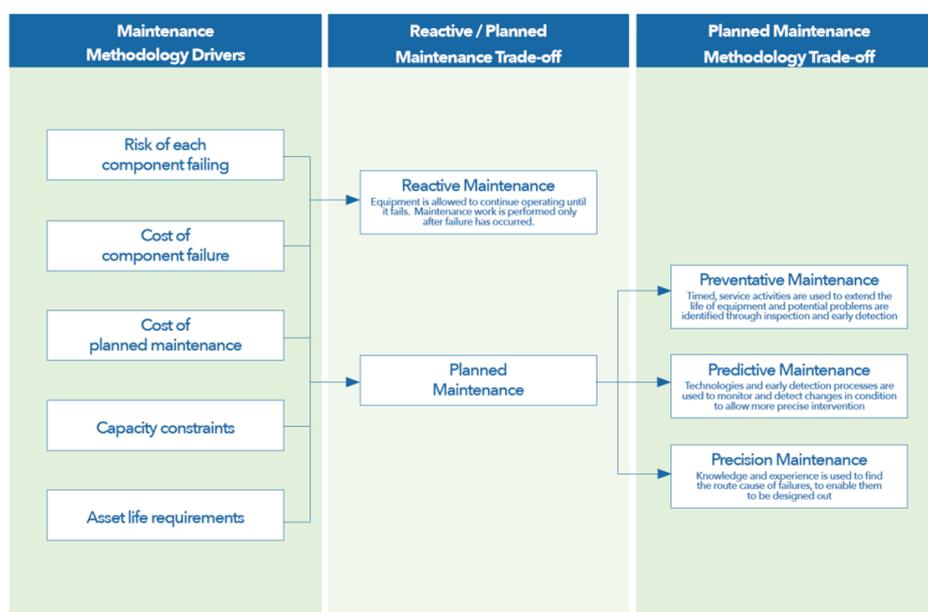
Conversations with the maintenance team and an initial data review indicates that there are many areas that need improvement before HCC can take full advantage of predictive maintenance (refer to recommendations below).

Based on the current level of data availability and accuracy the predictive maintenance maturity level of wastewater pumps has been confirmed at a 2 out of 4 score. A number of recommendations have been made below to close the gaps in data requirements that will enable the implementation of predictive maintenance in the future for appropriate assets.

Key recommendations

HCC are on a journey to improve asset management practices across the organisation. There are a number of asset management improvements underway including the further development of a Maintenance Strategy that will guide future improvements in asset maintenance methods. This strategy should consider the below key drivers for asset maintenance, noting that different maintenance approaches are appropriate for different assets (even for those that are the same asset type):

Five key drivers need to be considered when determining the optimal maintenance methodology for assets

Maintenance Methodology Drivers	Reactive / Planned Maintenance Trade-off	Planned Maintenance Methodology Trade-off
Risk of each component failing	Reactive Maintenance — Equipment is allowed to continue operating until it fails. Maintenance work is performed only after failure has occurred.	
Cost of component failure		Preventative Maintenance — Timed, service activities are used to extend the life of equipment and potential problems are identified through inspection and early detection
Cost of planned maintenance	Planned Maintenance	Predictive Maintenance — Technologies and early detection processes are used to monitor and detect changes in condition to allow more precise intervention
Capacity constraints		Precision Maintenance — Knowledge and experience is used to find the route cause of failures, to enable them to be designed out
Asset life requirements		

PwC Strategy & Maintenance Perspectives Practice meets theory across industries

In order to move to a position where the most appropriate maintenance methodology for a particular asset can become a reality for HCC it is recommended that HCC look to:

- Determine for each asset type using the diagram above, what type of maintenance methodology is most appropriate to ensure asset and cost optimisation aligned with the risk and cost of asset failure

- Ensure that data on asset condition inspections are recorded against the asset in the asset management system in a manner that it can be used for data analysis

- Identify those assets where predictive maintenance is appropriate and:
  - redefine/define in more detail what a "failure" is and get agreement from key stakeholders including engineers and operators who undertake inspections
  - identify the key indicators of failure for each asset type
  - collect meaningful data on the failure indicators that is dynamic at regular intervals (e.g. flow data, motor current, impeller wear for wastewater pumps)
  - ensure performance benchmarks are identified, set and monitored (e.g. put alarms in place for too high or low motor current for wastewater pumps, when installing the pump perform an in-situ test of flow rate)
  - collect data consistently across all relevant assets

Internal Audit Report   Confidential   Page 9 of 11

- ○ once sufficient quality data is available, implement 1 or 2 pilot projects to assess the value of predictive analytics and quantify the business benefits
- ○ longer term, invest in the right tools and technology environment to support real-time predictive asset maintenance.
- Ensure that asset management and operational data of an asset is maintained against that asset for its entire life (e.g. pumps and their historical performance stay together when pumps move between pump stations)
- Consider using the flow rate information from the wastewater pumps to inform the maintenance teams of fat blockages, thereby performing the washdowns on an as needed basis, rather than the scheduled visits
- Improve cost categorisation and information on work orders to understand what is actually spent on maintenance
- Agree and embed Key Performance Indicators for data quality and ensure that data ownership is defined and assigned

Management Comments

PwC's recommendations support the current direction of asset management within the organisation. Asset management improvement programmes are continuing to enhance and improve asset data and knowledge, the accessibility of data and the management of asset lifecycles.

All wastewater pump stations are maintained. Maintenance programmes are informed by industry and HCC specific knowledge and manufacturers recommendations. In addition to maintenance programmes, pump stations have resilience built into the design which reduces the risk of critical asset failure.

The recommendations made by PwC are useful as an early indication of the improvements which could be considered if the cost benefit of predictive maintenance is proven to be worth pursuing. The cost benefit of enhancing the current pump station maintenance methodologies is yet to be determined.

Inherent Limitations

This assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

Appendix

Data received from HCC

File name	Format
Base Pump Station Data From IPS 15-10-18	.xlsx
D-1446749 GIS - Metadata for 3 Waters Data	.pdf
SPS Data Schema	.xlsx
City Waters - Asset Maintenance - SPS Cabinet Inspections 2017	.xlsx
City Waters - Asset Maintenance - SPS Example from IPS of the SPS098 Grandview Inspection Observations	.xlsx
City Waters - Asset Maintenance - SPS Manual Civil Inspections SPS	.pdf
City Waters - Asset Maintenance - SPS PMS Reticulation Waste	.xlsx
City Waters - Asset Maintenance - SPS Wetwell washing	.xlsx
City Waters - Asset Maintenance - SPS Wastewater City Delivery pricing	.xlsx
City Waters - Asset Maintenance - SPS Asset Woda SPS Business Requirements	.pdf
D-2557606 2018-28 Baseline AMP - Wastewater - November 2017	.pdf
Regional-Infrastructure-Technical-Specification-V1.0-FINAL	.pdf
Copy of HCC 2017-18 Trade Waste discharge volumes	.xlsx
Rainfall Sample	.xlsx
D-1446749 GIS - Metadata for 3 Waters Data	.pdf
WW_Model_System_Performance_Results_2017.gdb	.zip
City Waters - Wastewater Pump station Renewal Workings - 2018-28 LTP	.xlsx
D-2337233 Wastewater Master Plan Version 2 90 Draft - GHD - 2017-02-15	.pdf
City Waters - Asset Maintenance - SPS Cabinet Inspections 2017	.xlsx
Work Order Data Schema	.xlsx
Work Orders Associated with Sewer Pump Stations 18 Oct 18	.xlsx
Dinsdale Pumping Station Pump Time	.xlsm
2018-1029 Fitzroy SPS with current	.png
2018-1114 Grandview + Fitzroy Pump amps 2016-2018	.xlsx
City Waters - Pump Station WOs - Data for PWC Analysis 20-11-18	.xlsx
PWC Sample Pump Data.xlsx	.xlsx

Hamilton City Council Assessment of Revenue

22 February 2019

FINAL REPORT

pwc

![pwc logo]

David Byrant
General Manager Corporate

Jen Baird
General Manager City Growth

Hamilton City Council
Private Bag 3010
Hamilton 3240

22 February 2019

Dear David and Jen

Assessment of Revenue

In accordance with our Contract dated 1 July 2017 and the Terms of Reference dated 21 December 2018, we are pleased to report the findings and recommendations arising from our assessment of Revenue at Hamilton City Council.

We would like to extend our appreciation for the assistance provided by staff and management in the completion of this engagement.

We would welcome the opportunity to discuss our findings and recommendations in the report with you.

Yours faithfully

Sharon Cresswell
Partner
PricewaterhouseCoopers
Hamilton, New Zealand

Executive Summary

Introduction and scope

This engagement relates to the risk that HCC is unable to collect all forecasted revenue to keep within the forecast debt to revenue ratio (which is a critical measure based upon the long term plan). We have performed a high level assessment of the current level of assurance over major areas of revenue with a more comprehensive assessment of development contributions through:

- Developing an **assurance map** over major areas of revenue in scope (being rates, development contributions, building and resource consents, and NZTA funding)

- Assessing the current **Development Contributions (DC) processes** (including remissions), and following up management's implementation of the recommendations in our report dated 3 March 2014 on the assessment of DC processes and controls

- Assessing the process for changing the **DC model** and its impact on revenue.

Key messages

Assurance map

Assurance maps[1] over key revenue areas in scope are provided in Appendix III of this report. The assurance maps outline the key risks and associated controls within each revenue area. Sources of assurance over the controls have been documented using the three lines of defence, classified as being management, governance and independent assurance.

The controls and types of assurance presented in this assurance map have been identified through the input of HCC personnel and have not been verified or assessed for effectiveness.

We note, all teams have raised a concern over the resourcing and retention of appropriately skilled staff to deliver services. This is considered an ongoing risk by management with limited controls and no assurance being provided.

The assurance maps reveal that there are areas with multiple sources of assurance and other areas where assurance is minimal. Management and governance should assess the level of assurance provided over the controls in place to ensure that it is appropriate. Level 1 or Management Assurance can be a timely and cost effective way of confirming that the controls are operating effectively before being subject to an independent assurance process. In particular gaps in management assurance were identified for:

- rates remissions, rebates and postponements (key risk 1.3)
- changes made to key rating data (key risk 1.4)
- collection of development contributions (key risk 2.5)
- on-account building consent customers (key risk 4.4)
- the use of spreadsheets as a source of information (key risk 5.7).

DC process

The current process has been significantly improved since our previous assessment in 2013/14. Management have substantially implemented our recommendations (see Table 1 below) and the process has been extensively automated, mainly through the implementation of

---

[1] An assurance map is a visual diagram that provides senior management and committees with an overview of all the sources and types of assurance on the effectiveness of controls and mitigations over risks faced by a defined activity.

the GARI (Growth Analytics Recovery for Infrastructure) system to record the assessment of and the calculation of the DC charges.

Details of our current assessment of management's implementation of the recommendations from the 2014 report can be found in Appendix II.

The Growth Funding and Analytics team are all experienced in assessing DCs and have well documented processes. Our procedures identified opportunities to improve the monitoring of DC assessments through exception reporting and the peer review process. Our detailed findings and recommendations contained in Appendix I.

Table 1: Status of implementation of findings from the DC process and controls report dated 3 March 2014

Description of finding	Status
1. A full written record of consultation held on interpretations of the Policy, as well as the rationale and conclusions reached is not required to be maintained on file for all applications	
2. Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed from corporate systems	
3. Independent reviews are not performed over development contribution charge calculations	
4. Access to models/spreadsheets used for development contribution calculations and invoice tracking is not appropriately restricted	
5. Information for input into the DC Calculation spreadsheet is not easily identifiable from Planning Guidance and Building	
6. Evidence of the compilation of 'base charges' by catchment has not been retained	

Key

Recommendation has been fully implemented

Recommendation has been substantially implemented with some areas that can be improved

DC model changes

The forecasted DC revenue was based upon the assumption that the forecasted growth in development over future years would be charged under the 2018/19 DC policy that were substantially higher than the previous DC policy charges (the increase was also significantly higher than any previous increases, due to higher capital expenditure related to growth).

The extent of developers applying before the date that the 2018/19 DC policy was operative was far greater than anticipated by HCC. For example, at the 4 December 2018 Finance Committee meeting officers presented a report on a $30-$35 million reduction in forecasted DC revenue due to developers applying for consents under the 2016/17 DC policy, when the revenue was forecast at the higher 2018/19 DC policy rates.

HCC management noted that they considered early adoption of the 2018/19 DC policy, but did not proceed with this based upon legal advice. HCC are constrained by the process needed to be followed to change the DC charges in terms of the consultation required.

We note that the risk of DC revenue 'leakage' was recognised in the Housing Infrastructure Fund Detailed Business Case dated 17 November 2017, with the mitigation being the ten year plan processes and for the financial planning to allow for this possibility.

HCC had therefore anticipated the risk and could have better quantified this in the DC model for the 2018/28 Long Term Plan.

We recommend that:

- as part of any future DC revenue forecasting exercise, management should include a sensitivity analysis to account for the likelihood and impact on forecasted revenue of customer behaviour contrary to assumptions made, especially when significant increases in DC charges are being made

- the DC projected revenue assumptions include considerations of when developers may apply for consents based upon historical trends.

We note that the Growth Funding & Analytics team has performed a detailed analysis of options to collect the potential reduction in forecasted revenue. The options have been reviewed by Legal Advisors and presented to Council. External legal advice has been sought on the preferred option and the potential challenges that may arise as a result of adopting it.

Management comments

Management agrees with PwC's recommendations. For the next update of DC Model revenue (Annual Plan 2020/2021), the Growth Funding & Analytics Manager will:

- undertake a sensitivity analysis through analysis of the consenting 'pipeline' and determine to what extent to factor in likely/incentivised developer behaviour to improve forecasting robustness, in order to de-risk the potential for future 'funding gaps'. (This work has already begun in order to mitigate this risk immediately. Remediations have been put in place around identifying consents and building a model to identify the risk early.)

- build into the revenue forecasting module, likely considerations developers might have around timing for lodging their consent. Considerations would include large known consents expected to be lodged, identifying incentives (e.g. large change in DCs), and quantifying likely financial impacts and likelihoods.

Findings Index

We set out alongside a mapping of our findings arising from our review of the **development contributions process** against Hamilton City Council's risk assessment framework for internal audit.

Our risk ratings are described at Appendix V – Risk Assessment Framework. This is a subjective assessment of the findings identified compared against likelihood of occurrence at HCC and the possible impact.

No	DC Process Findings	Risk Rating	Page No.
1	Monitoring reports are not exception-based or retained.	Low	8
2	No monitoring over development contributions assessments assessed as not applicable.	Low	9
3	It is possible to bypass the peer-review workflow.	Low	10
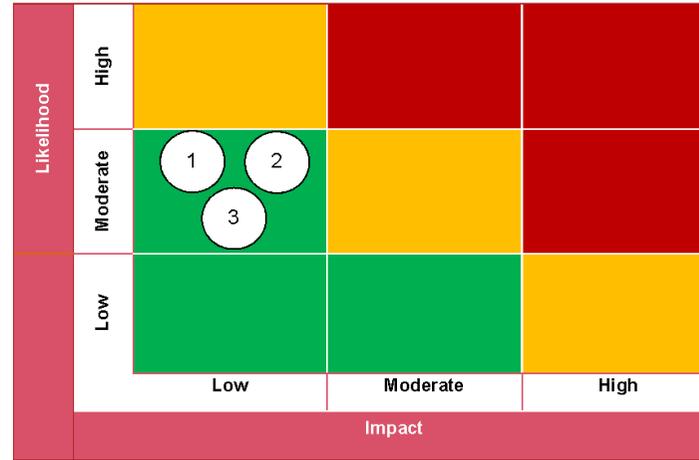
Inherent limitations

This assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

Due to the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Hamilton City Council's overall internal control structure, within which the control procedures that we have assessed operate, has not been audited and no opinion is expressed as to its effectiveness.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Appendices

Appendix I: Detailed Findings & Recommendations

Observations	Assessed Priority Rating = Low		Agreed Recommendation	Management Comment
	Impact: Moderate	**Likelihood: Low**		

1. Monitoring reports are not exception-based or retained.

Observations	Agreed Recommendation	Management Comment
Observation 1.1 Administrators in the Planning Guidance Unit and Building Unit create a task in Authority for DC Administrator/Analyst (DCA/DCAN) to review each consent application for applicability of DCs. DCA/DCAN also scan the following reports on a weekly basis to ensure that they have been tasked on each application: - Building Consents Recorded For Previous Week - Resource Consents Recorded For Previous Week They can create tasks for themselves if it has been missed out by the Building Unit or Planning Guidance Unit. We note two areas for improvement in this process: a. DCA/DCAN's review of weekly reports involves matching all applications lodged with Building Unit and Planning Guidance Unit (as updated within Authority system application) to those being assessed in GARI (system application). It would be more efficient for DC team to monitor exceptions (where DC team has not been tasked) rather than reviewing all consent applications lodged. b. Evidence of DCA/DCAN's review of monitoring reports was not available, therefore we are unable to verify the operating effectiveness of the review. **Risk / Implication** If consent applications are not tasked to the DC team development contributions may not be assessed/charged on an applicable development.	1.1 a. Update the (weekly) reports to only show any building and resource consent applications that have <u>not</u> been tasked to DC team, with notes on inapplicability assessment/ type of consent. b. Retain a record of the review of the above report.	**Action owner:** Leah Pavitt, Development Contributions Officer **Completion Date:** 28 February 2019 **Comment:** Create exception report for resource and building consents that have been lodged but not tasked to the DC team. This report will be run monthly and a record of review will be retained in the DC folder in CM9 (document management system).

Observations	Assessed Priority Rating = Low		Agreed Recommendation	Management Comment
	Impact: Moderate	**Likelihood: Low**		

2. No monitoring over development contributions assessments assessed as not applicable.

Observation 2.1 DCA/DCAN perform an initial assessment of applicability of DCs for each consent application against defined criteria. Applications initially assessed as not requiring DCs are not reviewed independently. There is no monitoring of the volume of applications assessed as not requiring DCs. **Risk / Implication** If the initial assessment of the applicability of DCs on a consent is not correct, then DCs may not be applied when they should be.	2.1 Consider a periodic review by Development Contributions Officer (DCO) of a report showing applications assessed as not requiring DCs.	**Action owner:** Leah Pavitt, Development Contributions Officer **Completion Date:** 30 April 2019 **Comment:** Create report showing resource and building consents assessed as no DCs applicable and reasons why. DCO to review report monthly and retain record of review in the DC folder in CM9.

Observations	Assessed Priority Rating = Low		Agreed Recommendation	Management Comment
	Impact: Moderate	Likelihood: Low		

3. It is possible to bypass the peer-review workflow.

Observation
 	
3.1 Once the initial assessor has completed a DC assessment on the GARI system, they tick the "Peer Review Required" checkbox. This pushes the assessment into the appropriate peer reviewer's workflow who reviews the assessment and ticks the "Peer Review Completed" checkbox.
 	
We note two weaknesses that may result in the peer-review not being performed:
 	
  a. The first assessor may not tick the Peer-Review Required checkbox. In this case, reliance is being placed on the other assessor to manually check the workflow on Authority application to identify any applications that have not been reviewed.
  b. The first assessor is not prevented from ticking the Peer-Review Completed checkbox. Again, reliance is being placed on the other assessor to manually check the workflow on Authority application to identify any applications that have not been reviewed.
 	
Risk / Implication
If an assessment is not peer-reviewed, it increases the risks that:
  • Credits are assessed incorrectly.
  • DC amount advised/ invoiced is incorrect.
	3.1 Consider:
	
	  i. Automating the peer review workflow within GARI system to ensure each application is automatically tasked to the relevant peer reviewer and only they can close the task **or**
	
	  ii. Monitoring (by DCO) of exception reports from GARI showing assessments that have been:
	    • prepared but not reviewed, and
	    • prepared and reviewed by the same person.
		Action owner: Leah Pavitt, Development Contributions Officer
		
		Completion Date: 30 June 2019
		
		Comment: Create report of consents created but not peer reviewed and reports created and reviewed by the same person. DCO to review report monthly and retain record of review in the DC folder in CM9.

Appendix II: Follow up of implementation of 2014 report recommendations

The DC process was previously assessed by PwC internal audit in 2013/14. We present the findings of the report "Assessment of Development Contributions Processes and Controls" dated 3 March 2014 along with our current assessment of management's implementation of the agreed recommendations below.

Implementation - key

(green)	Recommendation has been fully implemented
(orange)	Recommendation has been substantially implemented with some areas that can be improved

2014 Finding	2014 Assessed Risk Rating = Moderate		Agreed Recommendation 2014	Management Response 2014	Implementation (based upon 2019 follow-up)
	Impact High	**Likelihood** Low			

1. A full written record of consultation held on interpretations of the Policy, as well as the rationale and conclusions reached is not required to be maintained on file for all applications

Observation:

At the time of our assessment, a full written record of consultation held, as well as the rationale for and conclusions reached on interpretations of the HCC Development Contributions Policy ("the Policy") was not required to be captured on file for reference by HCC. If faced with difficulty interpreting the Policy, the Development Contributions Officer ("DCO") will consult with the Strategy & Research Analyst or Strategy & Research Advisor, on the Policy/LGA interpretation to determine how the Policy should be applied. While management advised that these decisions are captured through memos and internal emails in some cases, in other cases this consultation and discussion is communicated verbally, and therefore a full audit trail is not captured on file.

Examples of interpretations include:

- Remission, which is an interpretation that the conditions in paragraph 13 of the Policy have been met (in summary a reduction in the demand on community infrastructure, reserves, stormwater, transport, wastewater and water) and resulting in a reduction of the development contribution payable by developers. In addition, Engineers within HCC's infrastructure teams may be required to perform a technical assessment of the impact on demand as a result of a development to determine if a remission can be granted. As a new control, management have recently introduced a Remission Assessment Template, which is designed to capture a summary of the Engineers' assessment of actual demand compared to assumed demand, and its impact on the published 'base charges'. This is maintained on file.
- Remission extensions, which waives the 20 working days from the development contribution advice within which a remission application should be lodged to HCC as per paragraph 13.2 of the Policy.
- Development contributions payable by state-integrated (i.e. mix of public and private funding) schools, which is an interpretation that development contributions are payable unless the land is owned by the Crown.

The new Remissions Assessment Template has been prioritised for use on higher risk/value remission applications. Management advised that they are in the process of expanding the use of this template to other remission assessments.

Risk / Implication:

Without a thorough and complete record of information supporting all interpretations of policy, HCC may incur difficulty in determining accountability and the rationale for decisions made should decisions/assessments be probed by the developer and/or independent commissioner. Further, with such records maintained on file, there is ready reference available to facilitate consistency in Policy application should similar decisions need to be advised on by HCC.

Management should:
- develop a standard operating procedure (SOP) and template that sets out the minimum level of evidence/supporting information required for consultations held, rationale for and conclusions reached on interpretations of Policy
- retain in writing/ electronically, and attach to the development contributions application file, the above evidence/ supporting information.

Agree with recommendation. The DCO now documents all policy interpretations against the consent application (with the appropriate signatory) as well as maintains a spreadsheet of policy interpretations that may create precedent.

Remissions template is now embedded in the remission application process and is working well as documentation of policy interpretation.

The remissions template is to be used for all remission applications – including those that are declined on the grounds of not meeting the criteria set out in section 13 of the policy.

A software application, referred to as "AFC tool" or "GARI", is now used to record the assessment for, and calculate development contributions to be applied to, each consent application.

GARI retains a record of evidence/supporting information of the rationale for and conclusions reached on interpretations of the Policy (including notes of any consultations made). A brief description of this is also noted in the consent application's record in Authority system.

The Remissions template is also embedded within GARI and any consultation reports (internal or external) are attached to the record.

The DC team records any major Policy interpretations (that can impact future consents) in a DC Precedents spreadsheet which is signed off periodically by the Growth Funding & Analytics Manager (last reviewed on 10 October 2018). It is stored in the CM9 (previously TRIM) document management system and can be accessed by all DC team members.

2014 Finding	2014 Assessed Risk Rating = Moderate		Agreed Recommendation 2014	Management Response 2014	Implementation (based upon 2019 follow-up)
	Impact Moderate	**Likelihood** Moderate			

2. Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed from corporate systems

Observation:

Authority is one of HCC's corporate systems for accounts receivable and revenue that is used to record the resource, building and subdivision applications received by Planning Guidance (department that administers resource and subdivision consents) and Building (department that administers building consents). Applications that these Planning Guidance and Building assess as being a development that will create additional demand on HCC's infrastructure are workflowed to the DCO for her to determine if a development contributions charge is required. However, the initial development contributions applicability assessment is not documented or captured in Authority or outside the system, meaning that an audit trail of the decision and rationale either to charge or not charge a development contribution is not recorded – reliance is placed only on an application being workflowed to the DCO.

As development contribution details are recorded against an application in Authority, and there is no separate development contributions category or identifier flag in Authority, information on development contributions cannot be easily viewed or reported on in isolation.

Risk / Implication:

Without the capture of development contribution assessments from the commencement of the development contributions process, the DCO or management cannot easily monitor and review applications to determine missed development contribution revenue, due to resource, building and subdivision applications that have not been workflowed to the DCO.

Management should:

- Introduce a process, supported by a standard operating procedure, whereby Planning Guidance and Building are required to record (in summary) their initial development contributions applicability assessment

- Liaise with Information Services to investigate, as part of improvements to HCC's corporate systems, whether:
    - a unique development contributions category or identifier flag can be setup in Authority to facilitate reporting on development contributions
    - a field in which the initial development contributions applicability assessment can be captured. If this cannot be captured in Authority, a manual capture form should be developed and maintained in TRIM and linked to the Authority application

- Develop, generate and review development contributions exception reports from Authority and retain evidence of this review for future reference.

New process changes, such as reporting and exception monitoring, should be reflected in standard operating procedures.

Accept recommendation. Given extra support from PGU the applications team leader/building consent planner whom vet applications to the DCO to note why DCs have not been assessed. Given additional resource the DCO would be able to review these decisions.

The DCO has discussed an automated system with PGU who note it would be easy to implement through enterprise reporting.

All DC assessments are conducted by the DC team and recorded in GARI. A flag on Authority for whether DCs are applicable or not, notes on the brief rationale, and the amount to be invoiced updated against each application by the DC assessment peer-reviewer.

When the trigger for payment occurs, the DC team re-assess the application and updates the invoice amount if required. This is then used to invoice DC charges by the DC team (for building consents) and Planning Guidance Unit (for resource consents).

2014 Finding	2014 Assessed Risk Rating = Moderate		Agreed Recommendation 2014	Management Response 2014	Implementation (based upon 2019 follow-up)
	Impact Moderate	**Likelihood** Moderate			

3. Independent reviews are not performed over development contribution charge calculations

Observation:

Development contribution charge calculations are determined by the DCO, and are not subject to an independent review, regardless of the value of the charge or complexity of the calculation. We do note however that any remissions requested and calculated are reviewed and approved in accordance with HCC's 'Financial Delegations to Officers Policy'.

We note that the LGA 2002 Amendment Bill (No 3) is currently before Parliament, and one of the reforms proposed is the introduction of a development contribution objection process which will allow developers the right to object to the requirement for a development contribution, and enables the Minister of Internal Affairs to appoint independent development contribution commissioners to rule on objection decisions. To account for this potential reform and the already-existing queries from developers, HCC should ensure all development contributions advised on are accurate and complete to a level where an objective person with the same information could reach the same calculation.

Management have advised that the current resource/staffing complement has limited the ability for an independent review to be performed.

Risk / Implication:

Without an independent review over development contribution calculations, the potential exists for errors, manipulations or misjudgements in the development contribution calculation, resulting in a charge that is over or under stated, and remains undetected internally.

Further, should such errors, manipulations or misjudgements be highlighted by developers or through the external LGA objection process, this can cause a detrimental impact to HCC's reputation and result in increased scrutiny from government officials.

Management should require that development contribution charge calculations are independently reviewed prior to finalisation and notification.

Due to volume of development contributions processed and varying complexity in assessments, we support having a tiered or risk based review process, where the level of independent review required is determine by the complexity and/or dollar value of the development contributions charge.

We acknowledge that this may require an analysis and redistribution of roles and responsibilities within the team.

Independent reviews over development contributions calculations should be evidenced through signoff, dated and maintained on development contribution application files.

This new control should be reflected in standard operating procedures.

Agree with recommendation. All staff within the DC process are currently at capacity. Given additional resource [considered in light of budget constraints] a review of all DC calculations would be achievable. This recommendation is key given the upcoming changes within the LGA.

Completed DC assessments are peer-reviewed by another member of the DC team, based on the delegated authority for the $ DC amount defined in standard operating procedures.

A more senior member of the team may be requested to perform or review a complex assessment regardless of $ amount. Review would then be escalated to a higher delegated authority.

We note opportunities for improvement of the peer-review process in Finding 3 within Appendix 1.

2014 Finding	2014 Assessed Risk Rating = Moderate		Agreed Recommendation 2014	Management Response 2014	Implementation (based upon 2019 follow-up)
	Impact High	Likelihood Low			

4. Access to models/spreadsheets used for development contribution calculations and invoice tracking is not appropriately restricted

Observation:

There are several models/spreadsheets used to determine the development contribution charges payable and to record invoice details. However, access to these models/spreadsheets is not appropriately restricted. Details for each model/spreadsheet are shown below.

1. *Access to the Growth Funding Model application and database is not appropriately restricted*

The inputs to the development contribution calculations that determine charges payable are governed predominantly by paragraphs 8.7 – 8.14 and section 10 of the Policy. Input assumptions and factors include aspects relating to city growth and revenue forecasts, supply of land, demand conversion factors, the type and nature of the planned development and catchment area. The starting point for development contribution charges is a 'base charge', dependant on values assigned to the above calculation input assumptions and factors.

The Growth Funding Model (GFM), created in Microsoft Access, produces the 'base charges' payable for each sector, by modelling the above factors and assumptions. These 'base charges' are published in the Policy Schedules 1 and 4. However, access to the GFM has not been appropriately restricted to only users that require access. In particular:

- The GFM can be accessed by everyone with access to the HCC network, i.e. all 'Authenticated Users' who have modify privileges to the HCC domain. This model is saved in the directory pathway, 'My Computer->hccdata->Strategy&Research->Excel Spreadsheets->Growth Funding Model->Archive->2013-14 Adopted DC Model'.

- The GFM's sql database can also be accessed by everyone with access to the HCC network, i.e. all 'Authenticated Users' to the HCC domain who have modify privileges. This database is saved in the directory pathway, 'My Computer->hccdata->Strategy&Research->Excel Spreadsheets->Growth Funding Model->Data Sources->DC Assessments'.

2. *Access to the DC Calculation spreadsheet is not appropriately restricted*

The DC Calculation spreadsheet template is used to determine the charges payable and any remissions applicable. A copy of the completed template is used for each development contribution assessment. However, access to the DC Calculation spreadsheet template has not been appropriately restricted to only users that require access:

- The DC Calculation Spreadsheet can be accessed by everyone with access to the HCC network, i.e. all 'Authenticated Users' who have modify privileges to the

Management should:

- Remove inappropriate access currently assigned to the GFM, DC Calculation spreadsheet and Invoicing spreadsheet directories

- Perform periodic user access reviews over the GFM, DC Calculation spreadsheet and Invoicing spreadsheet directories and retain evidence of this review.

Agree with recommendation. In the longer term, these models need to be embedded in corporate systems with proper user access controls. In the short term, access to the appropriate folders can be restricted as suggested.

The Growth Funding Model (GFM) is now hosted on a standalone cloud based application Idiom Transaction Engine (ITE), accessed using HCC login credentials.

Data inputs to the model are stored within GFM and in the Council's data warehouse.

All DC calculations are performed in the GARI/AFC tool application.

Invoice tracking is done using the Authority application.

The central IS team grants, modifies and terminates user access to all of the above applications and data based on approval of access request by the relevant approver. The approver for GARI and ITE is the Data Analyst, Growth Funding & Analytics team.

Internal Audit Report

Confidential

HCC domain. This spreadsheet is saved in the directory pathway, 'My Computer->hccdata->Planning Guidance->Excel Spreadsheets->DC Calculation Spreadsheets all years & GSTs-> DC Calculation Sheet July 2013'.

3.   *Access to the Invoicing spreadsheet is not appropriately restricted*

Development contribution charges are invoiced when one of the trigger points (referred to in the Background section) is reached. An Invoicing spreadsheet is used to capture and track the progress of a development contribution application from notification through to invoicing and payment. The Invoicing spreadsheet has in-built macros that automatically send an alert email to the DCO when the consent/connection request date entered is reached, advising the DCO that an invoice must be raised. The Invoicing spreadsheet also serves as a point of reference for the DCO, Building, Planning Guidance and Connection departments on whether charges have been paid – a key condition required prior to the release of consents/connections. However, access to the Invoicing spreadsheet has not been restricted to only those that require access:

- The Invoicing spreadsheet can be accessed by all 'Domain Users' (i.e. active HCC domain users) who have modify privileges. This spreadsheet is saved in the directory pathway, 'Computer-> APPS-> DC BC Invoicing'.

We also identified that there is no periodic review performed to assess the validity of users with access to the GFM, DC Calculation Spreadsheet and Invoicing Spreadsheet.

Risk / Implication:

With unrestricted access to the GFM, DC Calculation Spreadsheet and Invoicing Spreadsheet, there is an increased risk that these models are made available to users who do not require access, and who may make accidental or intentional changes to data or formulas/logic, or inadvertently delete or copy these files. Given the amount of data stored in these models/spreadsheets it is unlikely that changes would be easily detected. This can impact on the accuracy and completeness of the development contributions advised or consents/connections that are released by HCC.

Item 11

Attachment 2

2014 Finding	2014 Assessed Risk Rating = Moderate		Agreed Recommendation 2014	Management Response 2014	Implementation (based upon 2019 follow-up)
	Impact Moderate	**Likelihood** Moderate			

5. Information for input into the DC Calculation spreadsheet is not easily identifiable from Planning Guidance and Building

Observation:
In order to complete the DC Calculation spreadsheet, the DCO requires, at a minimum, the following information from Planning Guidance and Building:
- Assessment ID
- Applicant's name and contact details
- Consent Number
- Legal description of parent lot
- Nearest street address
- Description of proposed activity
- Development site area (m2)
- Site area (m2)
- Floor area (m2).

Currently, the above information is embedded in developer's reports and plans (some documents up to 40 pages) attached in Authority, and the DCO must search through these documents to obtain the right inputs for the development contribution charge calculation. Much of this information is readily known by the Planning Guidance and Building teams.

Risk / Implication:
Without standardised capture of the input information for the DC Calculation spreadsheet, there is a potential risk that incorrect information is identified, e.g. if there are inconsistencies between the Developer's Plan and Developer's Report, and that incorrect calculations are made. Furthermore, process inefficiencies are currently occurring, as the DCO is duplicating the search for the required details amongst developer's reports and plans, which would already have been performed by Planning Guidance and Building.

Management should develop a template in which Planning Guidance and Building can capture the required information that they have already located amongst the assessed Developer's reports and plans.

This completed template should be provided to the DCO to facilitate her review and monitoring role, i.e. acting as a second set of eyes over the initial development contribution applicability assessment, and calculation of the DC charge.

Agree with recommendation. In terms of efficiency and accuracy of DC calculations the DCO needs to be receiving key information up front from PGU. This has been discussed with PGU and a key information template is currently a work in progress.

Applicants fill out a development contributions information form as part of the consent application, which notes the development site, site and floor areas.

The application is recorded and supporting documents uploaded in Authority (within the property's record) by Building unit or Planning Guidance unit.

A DC assessment for the application is created in GARI, which links to the property's record in Authority and imports the required details. Area details per the DC form are retrieved from Authority and input by the DC team.

2014 Finding	2014 Assessed Risk Rating = Low		Agreed Recommendation 2014	Management Response 2014	Implementation (based upon 2019 follow-up)
	Impact Low	Likelihood Moderate			

6. Evidence of the compilation of 'base charges' by catchment has not been retained

Observation: Another finding which has the potential to impact the reliability of the development contribution calculation, is that a key input to the creation of the DC Calculation spreadsheet has not been retained. To determine the 'base charges' per catchment for the 2013/14 year, a Spatial Query was overlaid on the GFM 'base charge' outputs above, and the resulting 'base charges' per catchment are published in the Policy Schedule 5. This Spatial Query is a key input to the creation of the DC calculation spreadsheet, however it was not retained. This means that evidence of the compilation of 'base charges' by catchment is unavailable. **Risk / Implication:** Without retaining the spatial query it cannot be referred to in future and can create inefficiencies if it needs to be updated upon revision of the Policy.	Management should ensure Spatial Queries should be retained and secured for future reference.	Agree with recommendation. Queries need to be appropriately documented in an ArcGIS model. This will be undertaken for the next update of GIS layers. In the longer term, funding will be needed for an IS resource to include this model in corporate systems.	Spatial Queries are performed and saved within the Growth Funding Model on ITE. The table of base charges is then supplied to the GIS team for publication on the HCC website. The base charges published in DC Policy 2018/19 Schedule 1 are retained as MS Excel files in the CM9 (previously TRIM) document management system.

Appendix III: Assurance maps

These assurance maps outline the key risks and associated controls within each revenue area. Sources of assurance over the controls have been documented using the three lines of defence, classified as being management, governance and independent assurance. The controls and types of assurance presented in this assurance map have been identified through the input of HCC personnel and have not been verified or assessed for effectiveness.

1. Rates

Key risk description	Key controls	Assurance		
		Level 1: Management	Level 2: Governance	Level 3: Independent and objective assurance
1.1 Rates not set correctly in accordance with Local Government Act (LGA) 2002	**Policies and procedures** in place for setting Rates, including public consultation on Annual and Long Term Plan. Valuations changes throughout the year are checked by staff to ensure they meet expectations. Rating categories are also reviewed at this time. **Revenue and Financing Policy (LTP)** • Revenue and Financing Policy and rate setting procedures aligned with the requirements of LGA 2002 and LG (Rating) Act 2002. **Planning** • Detailed and extensively reviewed forecasting for 10 year Long term Plan (LTP). • Annual planning process to set Rates on annual basis. **Funding Impact Statement** Used to ensure costs are fully funded through various funding sources in LTP and annual planning process.	SLT's review of Revenue and Financing Policy and Rating Policy as part of the discussions on financial strategy. Internal review of independent valuations by experienced management personnel. Revenue Manager reviews policies and procedures periodically to ensure they align. Revenue Manager attends meetings of Society of Local Government Managers to stay up to date with legislative changes and proposals.	Council's approval of: • Revenue and Financing Policy • Rating Policy Rates Resolutions • Long Term Plan • Annual plan. Management's workshops with Council during the Annual and LTP planning processes.	Policies, resolution and underlying data is audited annually by Audit NZ (for purposes of expressing an audit opinion on the financial statements as a whole). Funding Impact Statement audited annually by Audit NZ (for purposes of expressing an audit opinion on the financial statements as a whole). Legal review of Revenue and Financing Policy, Rating Policy, Remissions and Postponement Policy and Funding Impact Statement. Legal review of Rates Resolution. Valuer General's review, moderation and approval of valuations.

| 1.2 | Forecast growth inaccurate/not met | **Vetted growth forecasting model**

• Rates model uses growth forecasting data from Growth Funding & Analytics team. Rates team works with Growth Funding and Analytics team to understand market conditions and expectations around growth outcomes.

• Known remissions, rebates and adjustments are accounted for in the Rates forecast model.

• Review of market economics data by HCC interdepartmental group (Growth Funding, GIS group representatives etc.).

• Internal review of NIDEA data by Growth Funding team.

• Rates team's detailed review of Rates model and assumptions (on a property by property basis). | **Periodic re-assessment/re-forecast:**

Rates team receives Growth Funding & Analytics Team's monthly market conditions' and indicators summary and assesses any impacts on forecasted revenue.

Budget versus actuals tracking and escalation.

Re-forecasting of LTP every 3 years.

Review of forecast as part of the Annual Planning process. | Workshops with Council to consult on the process and outcomes of the growth forecast and rates modelling exercise (at LTP stage).

Finance Committee's review of reports regarding changes to growth affecting revenue/debt ratio.

Finance Committee's review of revenue against budget.

Council's meeting to discuss and incorporate anticipated changes to economic climate in planning and budgeting processes downstream. | Waikato Regional Council, NZTA and HCC all agree on the data provider for forecasted demand (to ensure accuracy and consistency for planning).

NIDEA data is peer reviewed by FutureProof, WRC and NZTA.

External peer review / advisory on Growth model by Inside Economics at modelling stage.

External peer review of the completed model by BERL.

Audit NZ (as part of the audit of the LTP) review that the growth assumptions have been consistently applied and the basis for the assumptions are appropriately disclosed. This does not include review of the development of the growth metric. |
| 1.3 | Rates Remissions/Rebates/ Postponements are invalid | • Approved Remissions policy.

• Council owned properties (100% remission applicable- which constitute majority of remissions) well known and documented in RID.

• Ratepayer must (re)apply for the rebate(s) annually.

• Rates Manager reviews and approves all rebates applications and checks that it has been applied correctly in Authority.

• Remissions based on use require annual declaration. Remissions based on 'services not received' are reviewed throughout the year and checked prior to setting rates annually.

• Postponements reviewed and approved by Rates Manager. They can last a maximum of 10 years subject to annual re-application and approval.

• Weekly report of resource consents are reviewed to ensure any remissions that are no longer applicable are removed.

Controls over Department of Internal Affairs' Rebates

HCC follow DIA process when processing DIA applications. | | Council approves and adopts the Remissions and Postponement Policy.

New postponement applications are approved under the adopted policy and including in the monitoring report to Council. | Legal review of Remissions and Postponement policy.

Department of Internal Affairs (DIA) check 10% of rebate applications to ensure process followed and they are valid. |

Internal Audit Report   Confidential   Page 20 of 38

1.4 Incorrect rateable status (rateable vs non-rateable) or rating category (e.g. residential, business) used This would result from errors in the set-up of the Rating Unit held on the Council's Rating Information Database (RID)	**Ratings Information Database (RID)** • Changes to property status updated on RID. • Rates team checks the New Zealand Gazette for any land acquired for roading or reserves for which status has not already been changed. • Regular site and area visits by Rates team to identify any changes to area/ properties that the Council has not been made aware of. • Review of weekly report of Resource Consent and Building Consent applications lodged for changes to rating category; changes incorporated into Authority database. • Rates team's detailed review of Rates model and assumptions (on a property by property basis). • Real Estate listings are checked to see if Separately Used or Inhabited Part (SUIP) and rating category are correct.	Annually a Spatial analysis from the GIS system and other reporting tools are used to reconcile rating use and rating category to data within Authority. Debtor follow up process for unpaid invoices (annual arrears) includes checking that the records are correct.	Rates categories and differentials are discussed with Council as part of the Annual and 10 year Long Term Planning process.	Waikato Regional Council use HCC's rates data and perform their own checks against the properties' Certificate of Title. Legal right for ratepayer to request correction/changes to property or ratepayer information.
1.5 Rates Records not maintained	• Rates team reconciles RID valuations against District Valuation Roll (DVR) values on a monthly basis. • Valuation changes based on subdivisions, building consents etc. updated on RID/DVR regularly. • LINZ ownership data is available in HCC's GIS, which enables checking against ownership data in Authority. • Council's documentation retention and electronic information archiving policy followed. • Changes to ownership are checked for correctness against LINZ title data. • For changes made manually or imported, reconciliations to source data (e.g. valuation) performed. • A register of changes and adjustments to rates is maintained for future billing.	Debtor follow up process for unpaid invoices (annual arrears) includes checking that the records are correct. Reconciliation with LINZ when needed (e.g. LTP process, revaluation).		Waikato Regional Council use HCC's rates data and perform their own checks against the properties' Certificate of Title. Legal ability for ratepayer to request correction/changes to property or ratepayer information at any time for errors. Monthly Waikato Local Authority Shared Services (LASS) meeting to review DVR values, which includes discussion around DVR system and reporting on key measures.
1.6 Rates penalties incorrectly assessed	• Report of penalties to be applied checked against information about the properties by Rates team. • Penalty rates set by Council.	Rates Manager spot checks penalties prior to and after application. Knowledge sharing through the Society of Local Government Managers. Rates Manager attends	Council's approval of Remissions and Postponement Policy (which contains the Penalties). Finance Committee's review of penalties reported by Finance as part	

Internal Audit Report

Confidential

	• Error reports run before applying penalties to ensure individual rate account penalty settings are correct.	meetings where issues, mitigations and remediation are shared for the benefit of all local government bodies. Rates staff are a part of the Rating online community.	of monitoring report.	
1.7 Rates not paid	• Invoice sent (email/post as indicated by ratepayer). • Notice of outstanding payment by email and post sent after passing of instalment date. • Escalation process for overdue payments from previous financial year. This can include contacting mortgagees directly. • Approved debt collection procedures which may involve external agencies.	Finance's review of monthly revenue against forecast. Finance's monthly review of debtors. Overdue payments tracked monthly against prior years by Rates team. Rate's team review of reports from outsourced printing company.	Finance Committee's review of debtors and write-offs. Financial reporting includes rates collection information.	
1.8 Rates assessments/invoices inaccurate	**Ratings Information Database (RID)** • Independent valuation assessments obtained and updated on RID. • RID is kept up-to-date with all changes to a property. • A register of changes and adjustments to rates is maintained for future billing. **Controls over outsourced printing and dispatching of invoices** • Error checking is performed before extract of the invoice file for the printing company. • Invoicing & assessment templates legally vetted. These are updated on the printer's system. Rates team proofs any changes made by them. • System - calculated rates invoice amount based on up-to-date data from RID. This is extracted, checked and sent to the printers. • Rates team's review of reports from the outsourced printing company around number of invoices/assessment etc. to ensure completeness of invoicing. • Rates team review of proofs from the printing company, both at a data level and then at the document level (assessment/invoice).	Internal review of 3 yearly independent valuations by experienced personnel. Rates team reviews any changes to valuations which may include inspection of the property. Rate's manager keeps up-to-date with changes in legislation.		Audit NZ perform a limited walkthrough to check whether invoiced rate amount agrees to the applicable rate per the Rate Setting Resolution. Legal review of assessment/invoice.
1.9 Retention of key personnel with specialised experience and skills impacting service delivery	• Documented policies and procedures and financial models. • Documentation retention per Council's policy.			

2. Development contributions

Key risk description	Key controls	Assurance		
		Level 1: Management	Level 2: Governance	Level 3: Independent and objective assurance
2.1 Growth assumptions inaccurate meaning that revenue budgeted is either delayed or reduced	**Independent analysis of growth assumptions:** • For market economics data (zoning, developable land, sub-divisibility etc.). • Independent source National Institute of Demographic and Economic Analysists (NIDEA) provide data on forecasted future demand. • Review of market economics data by HCC interdepartmental group (Growth Funding, GIS group representatives etc.). • Internal review of NIDEA data by Growth Funding team. • City Development Engineers review of projects timing.	**Periodic re-assessment/re-forecast:** Growth Funding & Analytics team track constructed dwellings against forecast each year to trigger re-evaluation if a reasonable variance arises at aggregate level. Re-forecasting of LTP every 3 years. Budget versus actuals tracking and escalation. Regular meetings with other Councils around what they are experiencing (in terms of growth). Annual Plan review of growth forecasts. Monthly reporting based upon regulatory processing statistics. Quarterly growth indicators reporting.	Workshops with Council to consult on the process and outcomes of the growth forecast modelling exercise (at LTP stage). Finance Committee's review of reports regarding changes to growth affecting revenue/debt ratio. Finance Committee's review of revenue against budget. Council's meeting to discuss and incorporate anticipated changes to economic climate in planning and budgeting processes downstream. Growth and Infrastructure committee receive growth report from General Manager. Elected Members receive quarterly indicator reporting.	Waikato Regional Council, NZTA and HCC all agree on the data provider for forecasted demand (to ensure accuracy and consistency for planning). NIDEA data is peer reviewed by Future Proof, WRC and NZTA. External peer review of market economics data (input to DC model) by Insight Economics at modelling stage. External peer review of the completed model by BERL. External legal adviser from Tompkins Wake advises of any case law changes that may impact consents on a weekly basis in his call with PGU Manager. Audit NZ (as part of the audit of the LTP) review that the growth assumptions have been consistently applied and the basis for the assumptions are appropriately disclosed. This does not include review of the development of the growth metric. Audit NZ, as part of their annual financial statement and LTP audits, check that the growth assumptions used and value and timing of capital expenditure are consistent; and the revenue forecast is reasonable.

2.2 Assumptions regarding the timing of applications (and therefore which DC Policy applies) are inaccurate	• The ability to charge development contributions based upon three triggers, either at resource consent, building consent or service connection. Policy is clear about Council's approach to determining which trigger will apply, and the LGA is clear as to what Council's powers to require are.		Council has reviewed management's analysis of impact of the timing of applications and possible options (with legal advice). Council has debated merits/de-merits of available options.	External legal advice sought on preferred option and potential political/legal challenges.
2.3 Development contributions incorrectly assessed	**Policies and procedures in place to guide assessors:** • Approved DC Policy • Standard operating procedures (SOPs) which also set out limits for each staff role within the team to ensure progressively higher and more senior level of peer review for large value consents • Desk files • Documented processes in ProMapp • Council's Delegations Policy sets out delegated authorities for approving remission, at Unit Manager, General Manager, and CEO. Above the CEO's delegation, a full Council resolution is required. To **minimise risk of manual error or inconsistent application of policy**, an **automated tool** is used for calculating DCs. The tool ('GARI' or 'AFC') automatically: • Picks up information about the property from Authority • Calculates applicable DCs (based on limited number of manual inputs). System calculation is checked by assessor for reasonableness. Each DC assessment is **peer-reviewed.** Feedback from legal advisors on disputed applications is incorporated into future assessments. **Re-assessment at all stages of development** • Any future consent/certificate applications for the property are fully re-assessed.	For complex scenarios, an independent assessment on demand metrics may be obtained from HCC's Engineering department or external consultants (usually for complex assessments or remissions).		The development contributions process has been assessed by PwC (in 2013 and 2019). Audit NZ annually test (on a sample basis) the accuracy of DC charges against DC Policy. Local Government Act S199 provides applicants with rights to ask for reconsideration of DCs, or to lodge a formal objection.

2.4 Development Contributions not assessed	**Consent teams task DC team for assessment of application** • All consent/certificate applications are assessed by DC team. • Consents and certificate applications at all stages are fully re-assessed. If an assessment was missed on the first application it would picked up at the next stage e.g. building consent, CCC.	DC team reviews weekly report of all resource consents lodged and ensures each application has been tasked for a DC assessment. DC team reviews weekly report of all building consents lodged and ensures each application has been tasked for a DC assessment.		
2.5 Development contributions not paid	**Invoice** issued for DC through Authority system (which is also used to track debts). **Legislative and procedural prerogative to withhold consent/certificate** • An advisory note is placed upon all consents where DCs are applicable. • Issue of code of compliance is subject to payment of DCs. DC team checks that DCs are paid before giving clearance for issue of certificate. • Issue of 224c is subject to payment of DCs. Planning Guidance administrator checks that DCs are paid before clearing for issue of certificate. **Several trigger points for payment** of DCs e.g. S224c, code of compliance.	Finance reviews debtors on a monthly basis.	Finance Committee's review of debtors. Any individual debt exceeding $10,000 is reported to Finance Committee.	
2.6 Development Contribution assessment successfully legally challenged	**Clear and detailed policy and procedures for assessment** • Approved DC policy. • Policy changes updated in DC assessment system. • Property information automatically pulled from Authority system to DC assessment system. • Limited manual inputs to the automated calculation of DCs. • Peer review of each DC assessment. • Issue of Fee Advice Letter. **Legal advice** • Experienced legal advisor (external) engaged for all legal challenges.			Comprehensive legal advice is taken during the process of any Policy review.
2.7 Inability to retain experienced personnel with specialist knowledge impacting service delivery. Note – this remains a risk due to role complexity (and therefore training time) and because of lean resourcing approach.	**Staffing** • Recruitment planning for DC unit - additional staff recruited in current and previous years. • Flexible working options provided. • Use of contractors for technical assessments.			

Internal Audit Report · Confidential · Page 25 of 38

	Well documented policies and procedures			
	• Approved DC Policy.			
	• Standard operating procedures (SOPs) and desk files.			
	• Documented processes in ProMapp.			
	Automation and Records			
	• Historical DC assessments and results retained in GARI and Authority.			
	• GARI automates a large part of the DC calculation.			

3. Resource consents

Key risk description	Key controls	Assurance		
		Level 1: Management	Level 2: Governance	Level 3: Independent and objective assurance
3.1 Growth forecasts inaccurate therefore revenue budgeted not achieved	**Vetted growth forecasting model** • Model developed by Growth Funding & Analytics team used. • Review of market economics data by HCC interdepartmental group (Growth Funding, GIS group representatives etc.). • Internal review of growth projections by HCC's City Development Group. • Internal review of NIDEA data by Growth Funding team. **Independent analysis of growth assumptions:** • For market economics data (zoning, developable land, sub-divisibility etc.). • Independent source National Institute of Demographic and Economic Analysists (NIDEA) provide data on forecasted future demand. **Monitoring of economic climate** • PGU Manager's review of national and global economic and political news on a daily basis. • PGU Manager and team leaders' consultations with developers to keep abreast of current market conditions on a regular basis. • PGU Manager keeps track of changes to policy and/or RMA that could impact consents.	**Periodic re-assessment/re-forecast** PGU Manager reviews monthly report of regulatory data including growth indicators. PGU Manager tracks consent numbers on a quarterly basis. PGU Manager and team leaders regular meet developers and local businesses for up to date understanding of market conditions. PGU Manager stays abreast of growth in the region through meetings with other local Council. Review of forecast as part of the Annual Planning process. Re-forecasting of LTP every 3 years. Budget versus actuals tracking and escalation.	Workshops with Council to consult on the process and outcomes of the growth forecast modelling exercise (at LTP stage). Finance Committee's review of reports regarding changes to growth affecting revenue/debt ratio. Finance Committee's review of revenue against budget. Council's meeting to discuss and incorporate anticipated changes to economic climate in planning and budgeting processes downstream. Growth and Infrastructure committee receive growth report from General Manager and quarterly indicator reporting.	Waikato Regional Council, NZTA and HCC all agree on the data provider for forecasted demand (to ensure accuracy and consistency for planning). NIDEA data is peer reviewed by Future Proof, WRC and NZTA. External peer review of market economics data (input to DC model) by Insight Economics at modelling stage. External peer review of the completed model by BERL. External legal adviser from Tompkins Wake advises of any case law changes that may impact consents on a weekly basis in his call with PGU Manager. Audit NZ (as part of the audit of the LTP) review that the growth assumptions have been consistently applied and the basis for the assumptions are appropriately disclosed. This does not include review of the development of the growth metric.

3.2 Fees and charges insufficient to cover costs	Planning Guidance Unit (PGU) Manager analyses planner's time per application and to set fees and charges appropriately on an annual basis. **Detailed tracking (and on-charging) of costs for each consent application** • A deposit is collected upfront before processing the application. • Planners submit timesheets to track costs for each application. • Costs incurred on processing the application tracked in detail on application costing sheet. • Costs in excess of deposit obtained charged to applicant. Application form and acknowledgement of application clearly state provision to charge costs in excess of deposit. • Quotes are received from consultants and if necessary agreed with applicant.	PGU Manager annually benchmarks Fees and charges against fees charged by other local authorities and planning consultants. GM's review of Fees and Charges schedule. Finance's review of monthly revenue and costs against budget. PGU Manager notified by staff if they think that costs are escalating.	Finance Committee's review of revenue against budget.	
3.3 Incorrect fees and charges applied	• Fees and charges publicly available on Council's website. **Controls over invoicing** • Fees and charges schedule updated on Authority application by PGU annually. • Planner ticks type of application on vetting sheet, which is used by the PGU Administrator to select the charge code. System auto-populates the fees/charges based on the charge code selected (and other input variables e.g. number of lots). • Charges noted by administrators are checked by planners vetting the application. • PGU Manager performs a final check of the application before issue of consent/certificate and signs it off. • PGU Administrator ensures that costs in excess of deposit have been invoiced and paid before issue of certificate.	Planning Guidance Unit Manager's review of monthly fees and charges against budget. Variances explained in reporting to Finance.		

Attachment 2

Item 11

3.4 Fees and Charges not collected	Legislative prerogative to withhold consent until all fees and charges are paid. Monthly invoicing. Delegated authority with GM (only) to waive fees and charges. PGU Administrator ensures that costs in excess of deposit have been invoiced and paid before issue of certificate.	PGU Manager and Finance's monthly review of debtors and write-offs.	Finance Committee's review of debtors and write-offs. Finance Committee's review of any individual debt exceeding $10,000 or outstanding for 90 days or over.	
3.5 Successful legal challenge of charges	**Approved fees and charges** • Council approved fees and charges schedule. • Schedule available publicly on Council website. **Legal advice** • Consultation with experienced legal advisor for any contested charges. **Applicant's declaration to pay, and tracking of, actual costs** • Detailed tracking of costs to substantiate fees and charges invoiced to applicant. • Applicant's declaration to pay full costs to Council obtained on consent application. • Quotes obtained from Consultants.			
3.6 Ability to attract and retain Planners with specialist skills impacting service delivery	**Staff progression plan**: Detailed progression and increments policy and plan for Planners approved by GM City Growth and People, Safety & Wellness Manager in 2018. Budget available for consultants that can be called upon (on agreed rates) in case of capacity shortage. **Well documented policies and procedures** • Standard Operating Procedures. • Documentation of processes in ProMapp is underway.			

4. Building consents

Key risk description	Key controls	Assurance		
		Level 1: Management	**Level 2: Governance**	**Level 3: Independent and objective assurance**
4.1 Growth forecasts inaccurate therefore revenue budgeted not achieved	**Vetted growth forecasting model** • Model developed by Growth Funding & Analytics team used. • Review of market economics data by HCC interdepartmental group (Growth Funding, GIS group representatives etc.). • Internal review of growth projections by HCC's City Development Group. • Internal review of NIDEA data by Growth Funding team. **Independent analysis of growth assumptions:** • For market economics data (zoning, developable land, sub-divisibility etc.). • Independent source National Institute of Demographic and Economic Analysists (NIDEA) provide data on forecasted future demand.	**Periodic re-assessment/re-forecast:** Building team receives Growth Funding & Analytics Team's monthly market conditions' summary and indicators summary and assesses any impacts on forecasted revenue. Budget versus actuals tracking and escalation. Re-forecasting of LTP every 3 years. Review of forecast as part of the Annual Planning process.	Workshops with Council to consult on the process and outcomes of the growth forecast modelling exercise (at LTP stage). Finance Committee's review of reports regarding changes to growth affecting revenue/debt ratio. Finance Committee's review of revenue against budget. Council's meeting to discuss and incorporate anticipated changes to economic climate in planning and budgeting processes downstream. Growth and Infrastructure committee receive growth report from General Manager. Elected Members receive quarterly indicator reporting.	Waikato Regional Council, NZTA and HCC all agree on the data provider for forecasted demand (to ensure accuracy and consistency for planning). NIDEA data is peer reviewed by FutureProof, WRC and NZTA. External peer review / advisory on Growth model by Inside Economics at modelling stage. External peer review of the completed model by BERL. IANZ audits the forecast as part of the 2 yearly Building Consent Authorities (BCA) accreditation process. Audit NZ (as part of the audit of the LTP) review that the growth assumptions have been consistently applied and the basis for the assumptions are appropriately disclosed. This does not include review of the development of the growth metric.
4.2 Fees and charges insufficient to cover costs	**Detailed, independent analysis of average time-cost per application** • Fees and charges are based on average time cost through prescribed workflows. An independent time cost analysis was performed by Morrison Low in FY15/16 and based on this the fees to be charged for various applications was decided. This is adjusted by inflation on an annual basis. **Detailed tracking (and on-charging) of costs for each application** • Applicable fees and charges collected up	Fees and charges are monitored (actuals v forecast) and re-forecasted annually or in next LTP, if material significance arises. Finance's review of monthly revenue and costs against budget. Fees and Charges benchmarked annually against other Councils' and Building Consent Authorities' fees and charges.	Finance Committee's review of revenue against budget.	Audit NZ conduct an annual audit of Building Unit's fees and systems to confirm (on a sample basis) the accuracy of fees charged (against the fees and charges set by the Council). They also analyse the completeness of revenue based on the number of consents issued. International Accreditation New Zealand (IANZ) audit the fees and charges regime etc., as part of the 2 yearly Building Consent

Internal Audit Report   Confidential   Page 30 of 38

	front as deposit, before application is processed. • Costs incurred in excess of deposit charged (e.g. additional time to process due to complexity, additional consultations required) charged to the applicant. • Charging full costs allowed under Building Act and HCC policy and agreed by applicant through a declaration on the application. • Technical team reviews charges applied and collected and adds any additional charges (or corrections) if applicable before issuing the consent or certificate.			Authority (BCA) accreditation process. Public consultation required for re-forecasting revenue from fees and charges. This is usually part of the 3 yearly LTP planning process unless a change is required beforehand.
4.3 Incorrect fees and charges applied	• Approved Fees and charges schedule updated annually. • Fees and charges publicly available on Council's website. • New fees and charges schedule updated on Authority system application. • Building Unit Administrator assigns charge code to application and the up-to-date charges are automatically applied to the system-generated invoice. • Technical team reviews charges applied and collected and adds any additional charges (or corrections) if applicable before issuing the consent or certificate.	Building Unit's secondary review on a monthly basis of fees and charges applied as part of process to calculate Building Research levy and Building levy collected on behalf of BRANZ and Department of Building and Housing respectively (based on value of work consented) to be transferred to them. Building Unit Manager's review of monthly fees and charges against budget. Variances explained in reporting to Finance. Finance's review of monthly revenue and costs against budget.		Audit NZ (as part of their annual audit of the financial statements as a whole) check a sample of fees charged to ensure consistency with HCC set fees. IANZ 2-yearly audit as part of the BCA accreditation process includes assessment of whether correct fees and charges have been applied.

4.4 Fees and Charges not collected	• Applicable fees and charges collected up front as deposit, before application is processed. • Limited on-account customers (Housing NZ, Master Builder members – Memorandum of Understanding that they will cover their members' debts if they default). • Certification team ensures that all fees and charges applied by the technical team including any additional charges for additional time or consultations (as well as all development contributions advised by the Growth Funding & Analytics team) on the consent have been collected before issuing the consent/code of compliance certificate.	Finance's monthly review of debtors and write-offs.	Finance Committee's review of debtors and write-offs.	
4.5 Retention of staff with specialist skills to ensure forecasted service delivery	Recruitment and Retention Plan drafted by independent consultants People For Success and approved by GM Corporate and GM City Growth. Documented processes in ProMapp. Process documentation for Quality Assurance held on Waikato Building Consents Cluster group intranet.			IANZ performs 2-yearly audit and certifies/recertifies Council as a Building Consent Authority after being satisfied that staffing is adequate to meet forecasted consents/ service levels.

5. NZTA Subsidy

Key risk description	Key controls	Assurance		
		Level 1: Management	Level 2: Governance	Level 3: Independent and objective assurance
5.1 HCC don't claim full subsidy available 5.2 NZTA find errors during their audit resulting in refunds 5.3 Not all relevant projects / project costs are included in subsidy calculation	**Project to Funding mapping ('PFM') spreadsheet** • Business Support Accountant -Transportation Unit updates the PFM with new project, subsidies it is eligible (incl. NZTA), subsidy rate etc. and any changes thereto. • Project Managers review all transportation projects to validate eligibility for NZTA subsidy. **Transport Investment Online (TIO)** • Business Support Accountant (BSA) -Transportation Unit checks new project approvals on Transport Investment Online (TIO) at least monthly and updates new projects in the PFM and Claims File. • NZTA advises HCC of changes in subsidy rates. • Automated checks within Transport Investment Online ('TIO') portal (in which claims are lodged) to prevent over-claiming project expenditure (over the approved amount). **Claims based on actual expenditure** • Claim File pull up-to-date expenditure (actuals) data from AX ledgers for accrual in financials. • Reconciliation of financial data in PSODA and AX (GL) data by Project Management Office on a monthly basis. **Internal review of claims** • Hard copy of TIO Claim (and detailed workings) reviewed and signed off by Transport Manager before being lodged in Transport Investment Online (TIO). • Review of NZTA claim in detail (before submission) by Business Support Accountant -Transportation Unit, Transport Managers, Capital Projects Manager and Infrastructure Alliance in monthly Claims meeting. **NZTA** • NZTA approves projects for funding.	Review of actuals versus budgeted expenditure and subsidies by Finance and Transport Manager on a monthly basis. SLT/finance's review of monthly project reporting by Project Manager for all major projects and financials (compared to forecast). SLT review monthly financial monitoring report which includes subsidies for each major capital project. Transport Managers have regular meetings with NZTA to ensure that they are up to date with any changes in subsidies. GM Development and GM Infrastructure Operations' annual review and approval of time cost charge-out rates that impacts overhead multiplier.	Finance Committee's review of financial monitoring report (six-weekly) which includes subsidies.	NZTA conducts an audit every 2 years (alternating between technical and financial audits). The technical audit includes assessment of which projects qualify for subsidies. Financial audits focuses on claimed subsidies and over/under spends. NZTA's approval of each claim lodged in TIO. NZTA has signed off on current overhead multiplier (based on current charge out rates) to be used to claim administrative costs. As part of the audit of the financial statements as a whole, Audit NZ: • for a sample of projects classified as subsidised in the LTP, reconcile the subsidy rate used to the FAR approved by NZTA • reconciles funding amount recognised in Council's financial statements to NZTA's confirmation of funding • reconcile (on a sample basis) paid progress claims to original expenditure.

5.4 NZTA don't approve projects to qualify for subsidy	• Consultation with NZTA on planned projects and expenditure as part of Long Term Plan process and subsequent 3 yearly revisions. • Experienced personnel with knowledge of NZTA policies and rules review forecasting and project planning.	Transport Manager and Development Group Manager (with extensive experience in the area) review proposed projects. SLT's review of planned expenditure pending NZTA approval in LTP and detailed forecasts.	Council's review of LTP and NZTA subsidy requirements. Any projects that were budgeted to receive NZTA funding but have not been approved for funding by NZTA are reported to Council along with alternative funding options (if any).	NZTA conducts an audit every 2 years (alternating between technical and financial audits). The technical audit includes assessment of which projects qualify for subsidies. Financial audits focuses on claimed subsidies and over/under spends.
5.5 Projects are delayed resulting in different timing of the receipt of subsidy	• Programme changes are reviewed quarterly, with rolling forecast updated with NZTA. • Ability to substitute delayed projects.	SLT/finance's review of periodic (usually monthly) project reporting by Project Manager for all major projects and financials (compared to forecast). Review of actuals versus budgeted expenditure and subsidies by Finance and Transport Manager on a monthly basis. Finance's monthly review of total NZTA subsidies claimed against budget.	Finance Committee's review of financial monitoring report (six-weekly) which includes subsidies. Major changes to timing of revenue are reported through the forecast to the Finance Committee.	
5.6 Project Cost overruns mean that the NZTA subsidy covers a lower % of costs than budgeted for	**Management's monitoring of spend** • Financial spend tracking against budget is reviewed by Transport Manager on monthly basis. • Actuals billed are reviewed at monthly Claims meeting by Development Group, Transport & Infrastructure Manager, where actual or potential overspends are reviewed. **Supplementary claims** • HCC can submit supplementary claim for overspends to NZTA at end of financial year, subject to NZTA approval.	SLT/finance's review of periodic (usually monthly) project reporting by Project Manager for all major projects and financials (compared to forecast). Finance's monthly review of total NZTA subsidies claimed against budget.	Finance Committee's review of financial monitoring report (six-weekly) which includes subsidies.	NZTA conducts an audit every 2 years (alternating between technical and financial audits). The technical audit includes assessment of which projects qualify for subsidies. Financial audits focuses on claimed subsidies and over/under spends.

| 5.7 Use of manual spreadsheets to collate information out of multiple systems for preparing subsidy claims. | • New sub-accounts are requested by the project engineers. They are created in AX by Finance and then mapped into PSODA.

• Actuals per AX (subject to controls over financial reporting) used in claims calculations and management reporting.

• Reconciliation of claim amount per TIO against accrued claim amount.

• The NZTA claim file has built in checks against the PFM and the AX trial balance.

• Review of NZTA claim (before submission) by Business Support Accountant -Transportation Unit, Transport Managers, Capital Projects Managers and Infrastructure Alliance in monthly Claims meeting.

• Reconciliation of financial data in PSODA and AX (GL) data by Finance on a monthly basis. | | Finance Committee's review of financial monitoring report (six-weekly) which includes subsidies. | NZTA conducts an audit every 2 years (alternating between technical and financial audits). The technical audit includes assessment of which projects qualify for subsidies. Financial audits focuses on claimed subsidies and over/under spends. |

Appendix IV: Assurance maps consultations

The Assurance maps in Appendix III have been developed in consultation with the following HCC personnel:

Development contributions
- Growth Funding & Analytics Manager
- Development Contributions Officer

Rates
- Rates and Revenue Manager
- Financial Controller

Building Consents
- Building Unit Manager

Resource Consents
- Planning Guidance Unit Manager

NZTA Subsidy
- Capital Financial Lead (Development Group)
- Business Support Accountant (Transportation)

Item 11

Attachment 2

Appendix V: Hamilton City Council's risk assessment framework

Impact

Level	Description
High	A significant weakness which could compromise Management's internal control.
Moderate	An issue which can undermine Management's internal control and should be addressed but with a lower priority than High.
Low	A weakness which does not seriously detract from the system of internal control but which should nevertheless be considered by Management.

Likelihood

Level	Description
High	Risk is likely or almost certain to happen (66-100%)
Moderate	Risk is possible to happen (36- 65%)
Low	Risk is unlikely or rarely will happen (0-35%)

Risk Matrix

Likelihood		Low	Moderate	High
	High	Moderate	High	High
	Moderate	Low	Moderate	High
	Low	Low	Low	Moderate
		Low	**Moderate**	**High**
		Impact		

Priority Rating

Level	Risk	Consequences of Risk Ratings
H	High	Requires immediate attention
M	Moderate	Requires attention/action underway within 3 months
L	Low	Requires attention/action underway within 6 months

Item 12

Council Report

Committee: Audit & Risk Committee	**Date:** 05 March 2019
Author: Tracey Musty	**Authoriser:** David Bryant
Position: Financial Controller	**Position:** General Manager Corporate
Report Name: Annual Report 2019 Planning Update	

Report Status	*Open*

Purpose

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

Staff Recommendation

That the Audit and Risk Committee receives the report.

Discussion

2.   Staff are currently planning for the preparation of the 2019 Annual Report.

3.   Staff are working with the Council Controlled Organisations (CCOs) to ensure timely information is produced.

4.   An annual reporting timetable has been prepared by Audit NZ along with the Council to ensure timely and quality information for the Audit process (Attachment 1)

5.   It includes the areas of audit focus including audit risks and currently known issues. The audit plan outlines the audit process, logistics and the reporting protocols

6.   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.

Cultural Considerations

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

Significance & Engagement Policy

Significance

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

Engagement

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

Attachments

Attachment 1 - Audit NZ - Draft Audit Plan 2019 .

Item 12

Audit plan

Hamilton City Council

For the year ending 30 June 2019

Audit plan

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

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

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

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

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

Yours sincerely

Clarence Susan
Appointed Auditor
22 February 2019

Audit risks and issues

Focus areas

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

Audit risk/issue	Our audit response
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	Our audit response to this risk includes: • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Timely capitalisation of work in progress and vested assets	
The City Council has historically experienced difficulties capitalising work in progress and vested assets in a timely manner. This creates a risk that information used for decision making may be incomplete or inaccurate. The City Council's capital programme is forecast to increase significantly over the coming ten year period which is likely to create additional pressures on the capitalisation process.	Our audit response to this risk includes: • updating our understanding of the City Council's capitalisation processes; • reviewing work in progress and vested assets at year end to identify assets that are complete and available for use; • reviewing the City Council's adjustments to correctly present these assets as additions during the year; • obtaining an understanding of progress made towards clearing the backlog of uncapitalised assets; and • assessing the risk of material misstatement within depreciation and any revaluations performed as a result of assets available for use that were not capitalised at year-end.

Audit risk/issue	Our audit response
Property, plant and equipment revaluations and fair value assessments	
We understand that the City Council's land and buildings, three waters and refuse assets will be revalued during the financial year. Revaluations can be complex and require the use of assumptions and judgement. The asset classes being revalued are a significant portion of Council's assets and there is a risk that errors in the process or calculation could result in a material misstatement. We expect that City Council staff will review the outcome of externally prepared valuations and assess these for reasonableness. Internally prepared valuations should be subject to appropriate levels of quality assurance and may benefit from a peer review of the process and outcome.	For classes of assets subject to revaluation during the year we will: • review the scope of the valuation performed and ensure it has been completed in accordance with the appropriate standards; • ensure the entire asset class has been revalued; • make enquiries of the Valuer regarding the assumptions used in the valuation and assess their suitability to undertake the valuation; and • review adjustments posted to the general ledger as part of the revaluation and related disclosures. Any revaluation adjustments should be completed as soon as possible after the revaluation date to ensure discrepancies are resolved promptly.
The City Council also periodically revalues the following asset classes: • parks and gardens improvements; • heritage assets; and • roads and traffic network. If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the City Council to comply with *PBE IPSAS 17 Property, Plant and Equipment*.	Fair value assessments will need to be completed for those classes of assets that are periodically revalued to confirm that there is no material difference between their carrying amount and their fair value. We will review the City Council's assessment of whether there is any material difference.

Audit risk/issue	Our audit response
Financial strategy and Housing Infrastructure Fund loan accounting	
The City Council's 2018-28 10-Year Plan includes a new financial strategy that will see the Council invest in growth, increase its borrowings (including borrowing interest free from the Housing Infrastructure Fund), and drive for efficiency savings across the organisation. The City Council's financial strategy is subject to a degree of sensitivity, particularly in terms of any significant and unexpected negative changes in the City Council's revenue. In addition, the City Council will need to ensure that interest free borrowings from the Housing Infrastructure Fund are correctly accounted for in accordance with the requirements of PBE IPSAS 29 *Financial instruments: Recognition and measurement* and that the details of the loan facility are appropriately disclosed.	Our response to these risks include: • reviewing disclosures relating to compliance with Financial Strategy limits for accuracy; • ensuring that any disclosures relating to savings realised during the period are reasonable and appropriate; and • reviewing accounting treatment for borrowings from the Housing Infrastructure Fund for consistency with the requirements under the accounting standards.

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

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

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

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

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

Fraud risk

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

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

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?

- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?

- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?

- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?

- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

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

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;

- evaluate the effectiveness of internal controls in mitigating the risks;

- perform substantive audit procedures; and

- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Group audit

The group comprises:

- Hamilton City Council;

- Waikato Innovation Growth Limited (Group);

- Vibrant Hamilton Trust; and

- Waikato Regional Airport Limited.

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

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

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

- group-wide internal control; or

- internal controls at each component.

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

Our audit process

Initial planning

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

Understand your business and environment

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

Assess audit risk

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

Evaluate internal controls

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

Finalise the audit approach

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

Gather audit evidence

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

Conclude and report

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

Enhancing year-end processes

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

Bringing forward audit procedures

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

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

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

Materiality

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

- influence readers' overall understanding of the financial statements and performance information; and

- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

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

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

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

Misstatements

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

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

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

- Hamilton City Council carries out its activities effectively and efficiently;

- waste is occurring or likely to occur as a result of any act or failure to act by Hamilton City Council;

- there is any sign or appearance of a lack of probity as a result of any act or omission by Hamilton City Council or by one or more of its members, office holders, or employees; and

- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Hamilton City Council or by one of more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council

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

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

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

Reports to Council

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

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

Audit logistics

Our team

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

Our senior audit team members are:

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

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

Timetable

Our proposed timetable is:

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

Expectations

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

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

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;

- staff will provide an appropriate level of assistance;

- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;

- management will make available a detailed workpaper file supporting the information in the financial statements; and

- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

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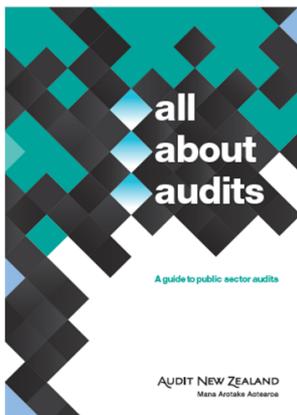
Health and safety

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

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

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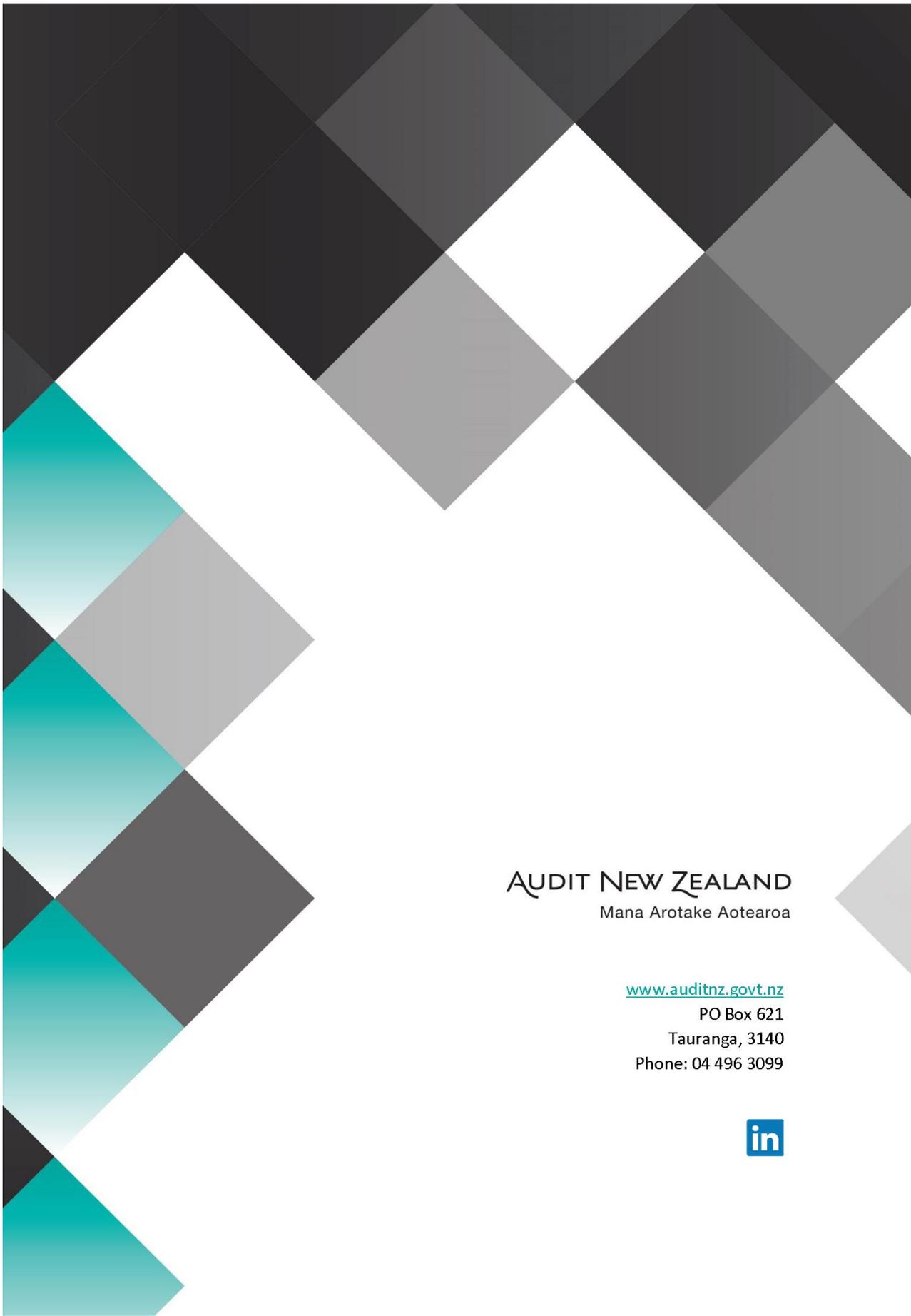
AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.govt.nz
PO Box 621
Tauranga, 3140
Phone: 04 496 3099

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. Legal Issues and Risks - Verbal Report C2. Cyber Risks/Issues - Verbal Report	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

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

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