

Notice of Meeting:

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

Date: Thursday 8 March 2018
Time: 9.30am
Meeting Room: Committee Room 1
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Audit & Risk Committee OPEN AGENDA

Membership

Chairperson: External appointee - Paul Connell

Membership: External appointee - Keiran Horne
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

2 March 2018

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. Ensuring Council fulfils its legal responsibilities.
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.

The Committee is delegated the following Terms of Reference and powers:
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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.
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.
10. Review the effectiveness of the systems for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), Council's own standards, and best practice guidelines, including on 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, including engaging expert assistance, on matters within its Terms of Reference.

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 the external members of the committee; 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.

Oversight of Policies:

- *Risk Management Policy*

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

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

4 Public Forum

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 Democracy 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 Democracy by telephoning 07 838 6439.

Council Report

Committee: Audit & Risk Committee **Date:** 08 March 2018
Author: Rebecca Watson **Authoriser:** Becca Brooke
Position: Committee Advisor **Position:** Governance Team Leader
Report Name: Confirmation of Audit and Risk Minutes - Open - 18 December 2017

Report Status	<i>Open</i>
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Staff Recommendation

That the Committee confirms the Open Minutes of the Audit and Risk Committee Meeting held on 18 December 2017 as a true and correct record.

Attachments

Attachment 1 - Audit and Risk Committee Minutes - Open - Unconfirmed - 18 December 2017 .

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 Monday 18 December 2017 at 12.30pm.

PRESENT

Chairperson: Paul Connell

Membership: Mayor Andrew King
Keiran Horne
Cr Garry Mallett
Cr Dave Macpherson
Cr Paula Southgate
Cr Rob Pascoe

Attendees: Cr Siggie Henry
Richard Briggs – Chief Executive
David Bryant – General Manager Corporate
Andre Chadfield – Risk Manager
Dan Finn – People Safety and Wellness Manager
Andrew Holmes – PwC
Aaron Steele - PwC
Sam Keelty – Aon Insurance
Matthew Wilson – Aon Insurance
Karin Barclay – Safety Engagement Lead
Nigel Ward – Communications Team Leader

Committee Advisor Rebecca Watson

1. **Apologies:** Mr Connell/Cr Pascoe

The apology from Cr Macpherson for lateness is accepted.

2. **Confirmation of Agenda**

Resolved: Cr Pascoe/Mr Connell

That the agenda is confirmed, noting that Item 12 (2017/18 Internal Audit Update Quarter 1) would be taken ahead of Item 7 (Organisational Improvement Programme Update) to accommodate presenter availability.

Audit & Risk Committee 18 DECEMBER 2017 - OPEN

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

Mr Peter Bos spoke to Item 10 (*Safety and Wellness Report*). Mr Bos raised his concerns regarding the number of road related fatalities and asked that Council work on strategies to reduce traffic related harm.

5. Audit and Risk Committee Unconfirmed Minutes - Open - 5 September 2017

Resolved: Cr Mallet/Ms Horne

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 5 September 2017 as a true and correct record.

6. Audit and Risk Committee Unconfirmed Minutes - Extraordinary Meeting - Open - 13 October 2017

Resolved: Mr Connell/Mayor King

That the Committee confirm the Open Minutes of the Extraordinary Audit & Risk Committee Meeting held 13 October 2017.

Item 12 (2017/18 Internal Audit Update Quarter 1) was taken before item 7 (Organisational Improvement programme Update) to accommodate external presenter availability.

7. 2017/18 Internal Audit Update Quarter 1

Staff from PwC spoke to the report, noting that the unusual transaction analysis was now completed. No potential fraud or suspicious activity was detected.

Committee Members discussed Asset Management Plans, and the adequacy of budget available for repairs and maintenance, particularly for community assets such as aquatic centres and libraries.

Resolved: Ms Horne/Cr Mallett

That the Audit & Risk Committee:

- a) receives the report;
- b) notes that the final part of the unusual transactions analysis from 2016/17 has been completed;
- c) approves the draft HCC Internal Audit Plan – December 2017; and
- d) notes that the scoping for the first engagement of the plan regarding Cyber security is being progressed with management.

Cr Macpherson arrived at 12.49pm during the above item. He was present when the matter was voted on.

Item 9 (Insurance Report 2018/18) was taken before item 7 (Organisational Improvement programme Update) to accommodate staff availability.

8. Insurance Report 2017/18

The Risk and Insurance Manager introduced staff from Aon Insurance, who manage the business' insurance portfolio. They provided an explanation on why insurance premiums have increased, which was largely due to a significant increase in the fire levy.

Committee Members discussed whether insurance for total loss of vehicle should continue or whether it was more cost effective to remove this given the high excess.

The maximum probable loss amount was defined from work completed by Tompkin Taylor.

Staff undertook to organise an overview of the maximum probable loss method next year to demonstrate the process taken.

Resolved: Crs Pascoe/Southgate

That the Audit & Risk Committee receives the report.

9. Organisational Improvement Programme Update

The Risk and Insurance Manager introduced the report, noting that the report was now more comprehensive with a new suite of items that have been captured.

Staff undertook to make the report easier to read, with colour coding where appropriate to make those items that are overdue or of more importance easier to identify.

Resolved: Mayor King/Ms Horne

That the Audit & Risk Committee receives the report.

10. Risk Management Report

The Risk and Insurance Manager spoke to the report, noting that the Materials Risks Register has been updated, with reputation and financial strategy failure both being removed.

Committee Members asked questions concerning whether any emerging risks had been identified that had not yet been placed on the Risk Register.

Resolved: Mayor King/Cr Southgate

That the Audit & Risk Committee receives the report.

Audit & Risk Committee 18 DECEMBER 2017 - OPEN

11. Health and Wellness Report

The People, Safety and Wellness Manager spoke to the report and responded to questions from the Committee Members concerning what fail-safes had been put into place to ensure the safety of staff and contractors.

Resolved: Mayor King/Pascoe

That the Audit & Risk Committee receives the report.

Cr Mallett left at 14.33pm during the discussion on the above item. He was not present when the matter was voted on.

12. Audit & Risk Committee Self Assessment

This item was presented in two parts – a written update from Chair Paul Connell and a verbal update from the General Manager, Corporate. Committee Members asked whether the terms of reference for the Audit and Risk Committee were up to date, and whether they fit into the new financial strategy.

Staff undertook to provide a best practise comparison and review of terms of reference for the next Audit and Risk Committee meeting in March 2018.

Resolved: Ms Horne/Cr Macpherson

That the Audit & Risk Committee receives the report.

Following the conclusion of the above item, the Chief Executive raised a matter concerning the controls around his travel expenses. He advised the Committee that he has identified a risk in the sign off process for CE travel. A new step in the process had now been added where the Mayor now also signs off travel. It was noted that two overseas trips had been undertaken in the last 12 months and details of these had been provided to the auditors. All expense claims are run past the Mayor or Deputy Mayor, and any discrepancies are run past the Chair of the Audit and Risk Committee. The process will be formally written up.

The meeting was declared closed at 2.55pm.

Council Report

Item 6

Committee: Audit & Risk Committee

Date: 08 March 2018

Author: Rebecca Watson

Authoriser: Becca Brooke

Position: Committee Advisor

Position: Governance Team Leader

Report Name: 2018 Audit and Risk Committee Report Schedule

Report Status	<i>Open</i>
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Staff Recommendation

That the Audit and Risk Committee approves the 2018 Audit and Risk Committee Report Schedule.

Attachments

Attachment 1 - 2018 Audit and Risk Committee Report Schedule - Draft .

Audit & Risk Committee Report Schedule 2018 (draft)					Informal A&R	Council
Standard Reports	8-Mar-18	14-Jun-18	18-Sep-18	27-Nov-18	21-Aug-18	11-Oct-18
Organisation Improvement Report						
Risk Management Report						
Health and Safety Update						
Strategic Reports	8-Mar-18	14-Jun-18	18-Sep-18	27-Nov-18	21-Aug-18	11-Oct-18
Audit & Risk Committee Self Review						
Annual Plan/LTP Reports	8-Mar-18	14-Jun-18	18-Sep-18	27-Nov-18	21-Aug-18	11-Oct-18
Legal Review (Contingent Liabilities)						
Annual Report Planning Update						
Review of Draft Financial Statements						
Annual Report (Recommendation to Council)						
Stakeholder Liaison Reports	8-Mar-18	14-Jun-18	18-Sep-18	27-Nov-18	21-Aug-18	11-Oct-18
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	8-Mar-18	14-Jun-18	18-Sep-18	27-Nov-18	21-Aug-18	11-Oct-18
Fitch Credit Rating Report						
Insurance Update						

Council Report

Item 7

Committee: Audit & Risk Committee **Date:** 08 March 2018
Author: Russell Hynd **Authoriser:** David Bryant
Position: Finance Manager **Position:** General Manager Corporate
Report Name: 2017/18 Internal Audit Update Quarter Two

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee on PwC's Internal Audit progress for quarter two 2017/18.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Discussion

2. Internal Audit Plan

3. PwC is working with management to finalise the scopes for the following engagements:

- Cyber security – operational controls

The objective of this engagement is to assess the cyber threat to Hamilton City Council's critical infrastructure. Infrastructure covered includes water, transport, buildings and public safety.

- Asset maintenance data

The objective of this engagement is to assess how asset maintenance data is captured and flows through to decision-making to ensure asset maintenance is effective and cost-efficient. By spending the right money at the right time, Hamilton City Council will benefit from better levels of service for ratepayers and decreased likelihood and impact of asset failures.

Financial Considerations

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

Attachments

There are no attachments for this report.

Council Report

Committee: Audit & Risk Committee **Date:** 08 March 2018
Author: Andre Chatfield **Authoriser:** David Bryant
Position: Risk and Insurance Manager **Position:** General Manager Corporate
Report Name: Organisational Improvement Programme Update

Report Status	<i>Open</i>
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Purpose

- To inform the Audit and Risk Committee on the status of Council's Organisational Improvement Programme.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Background

- Council's risk management programme includes the completion of internal audits by PricewaterhouseCoopers and external audits by Audit New Zealand.
- Actions and recommendations resulting from these audits are recorded and monitored through the Organisational Improvement Programme Register (Attachment 1).
- There are currently 19 open items on the Organisational Improvement Programme Register.
- Since the last reporting period two items have been closed with a further six items marked for closing.
- There are no overdue items.

Attachments

Attachment 1 - Organisational Improvement Register .

Organisational Improvement Programme Register: Database (Open Items)

Internal Ref	Audit Information				Risk Assessm	Improvement Action Plan					
No.	Issue	Audit Comment	Source	Agree Management Response	Risk Rating	Action Taken	Owner	Progress	Original Date	Target Completing Date	GM
315	Other less significant matters	<p>An internal review performed over H3's revenue and expenditure systems to ensure adequate controls are in place</p> <p>June 2017: H3 now has processes in place where new debtors are approved before being entered into the system. Invoices are still not reviewed before being sent out to the debtor. The creditor Masterfile report is still not being run. H3 are working on working out a method of how that report can be generated. They are currently in the process of deciding the parameters that would be required to be run.</p> <p>Bank reconciliations are prepared daily and at the end of the month. The reconciliations are now being approved. Daily reconciliation preparer and reviewer audit trail is maintained in the system. Monthly reconciliation reports are printed and signed as evidence of review.</p> <p>Follow Up comment 18.05.16</p> <p>From our review of the revenue systems at H3, we have identified that management do not see any risks around invoices not being independently reviewed prior to be sent to customers or new debtors not being independently checked. This is because every invoice or new debtor is supported by a contract and customers would complain is the amount invoiced would be incorrect.</p> <p>We have noted that for refunds a formal form is now required to be completed and authorised prior to payment.</p> <p>From our review of the expenditure system at H3, we have identified a creditor Masterfile change report is not being run or independently reviewed. We noted a creditors was processed by H3 from instruction that had been received from the procurement team. This had not been signed off by the procurement manager.</p> <p>We also noted the bank reconciliations are being prepared and have been independently reviewed. However, the reviewer was not signing or dating the reconciliations to show evidence or timeliness of the review.</p>	Audit NZ Draft Interim Audit Management Report June 2017	<p>Staff agree and the newly appointed H3 Finance Manager will be address the matters as follows:</p> <p>An integrity Control register will be established within H3 Group to manage the recording of key integrity checks. This will be reported to management as a part of the regular internal reporting.</p>	N	<p>Update: Nov 11 2017 The only item that was outstanding is the creditor master file which is still being addressed by an upgrade to the system. Confirm whether additional functionality supports this mitigation will be determined and an alternative mitigation will be identified. Update expected end of December 2017.</p> <p>Update: Feb 20 2018 Ungerboek (EDMS) system have recently been upgraded. Further technical functionalities of the system are being assessed which support system audit reporting requirements, in particular around privacy of financial data management..</p> <p>H3 Finance Manager is comfortable with current management control measures in place while this functionality issue is being addressed and recommendation is for this matter to be submitted for sign off by the next ARC meeting.</p>	H3 Finance Manager	Prepare submission for sign off	30/06/2017	30/03/2018	GM H3 & Events
329	IT Issue - No Organisational Business Continuity Plan or IT Disaster Recovery Plan	<p>We have noted in prior years that Council has continued to defer the development and testing of an organisational Business Continuity Plan and an IT Disaster Recovery Plan.</p> <p>June 2017: We continue to recommend that Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans. Update in 2015. The project to outsource all IT support and datacentre hosting to Fujitsu, will include development of new IT Disaster Recovery management systems and processes.</p>	<p>Audit NZ Fact Sheet HCC Interim April 2016</p> <p>Audit NZ Draft Interim Audit Management Report June 2017</p>	<p>The IT DRP is awaiting finalisation with the pending changes to Desktop as a service, and server hosting redundancy services currently under negotiation with Fujitsu and Azure. During the year the Azure datacentre was down for one day and there was no backup service available to the council. Responsibility for Organisational Business Continuity lies with another area within council.</p> <p>We continue to recommend that council develops and tests organisational business continuity and IT disaster recovery plans.</p> <p>The Risk and Assurance Manager has commenced organisational business impact analyses for development of the organisational Business Continuity plan. This will then drive development of the IT Disaster Recovery plan. Improvements have been made to IT infrastructure to mitigate risks related to potential network failures</p>	N	<p>Update: Nov 3 2017 Critical IT Infrastructure suppliers Fujitsu and Vocus has been verified to have both Disaster Recovery systems and processes in place to ensure the services provided by them are covered.</p> <p>A review is underway of all backup and restore procedures to ensure the effectiveness thereof and make any adjustments where needed.</p> <p>The progress of the IT Disaster Recovery Plan has been slow due to the vacancy of the Infrastructure Team Lead role, this role at this point would not be filled until early 2018.</p> <p>Update: Feb 20 2018 Both vendors testing is underway at present and the Infrastructure Team Lead role has been filled in Jan 2018. This role will manage the DRP establishment and this item is to be submitted for sign off.</p>	CIO	Prepare for sign off	30/06/2017	30/03/2018	GM Corporate

339	Adoption of legislative compliance policy	<p>The Legislative Compliance Policy formally approved by Council and made available to staff throughout the organisation. The policy is due to be formally adopted by 1 December 2016. We will review the policy as part of the 2016/17 audit.</p> <p>As at the date of our interim audit, the policy was yet to be formally adopted. We continue to recommend that the policy is formally approved and made available to all staff throughout the organisation.</p>	Audit NZ Draft Interim Audit Management Report June 2017	Council has been establishing a wider compliance framework as part of its improvement programme for compliance management (ISO19600). Policy review underway but delays to approval process due to resource issues mid 2017.	N	<p>Update: August 2017 Compliance framework currently under development to align with new risk management framework.</p> <p>Update Nov 1 2017 The revised framework and policy has been completed and is currently being reviewed by HCC Compliance Champion and peer reviewed by Strategy for final submission to SLT for approval and implementation. This is expected to be finalised in March 2018.</p> <p>Update Feb 20 2018 Compliance policy review is complete. Currently in the process of presenting to Governance and Strategy units and will be submitted to SLT for sign off following this.</p>	Risk and Insurance Manager	Ongoing - submission to SLT for approval pending	30/06/2017	1/05/2018	GM Corporate
340	Review of legislative compliance responsibility	<p>We recommend a review around all the legislation that the City Council must comply with be performed. The responsibility for each of the different legislation should be documented and formally communicated to each of the staff members with responsibility. This will ensure that each staff member understands their areas of responsibility around legislative compliance and can actively monitor the City Council's compliance.</p> <p>This review has not yet been completed. We understand that the City Council expects to complete this review by September 2017.</p>	Audit NZ Draft Interim Audit Management Report June 2017	Council has been establishing a wider compliance framework as part of its improvement programme for compliance management (ISO19600). Policy review underway but delays to approval process due to resource issues mid 2017.	N	<p>Update: August 2017 Compliance framework currently under development to align with new risk management framework.</p> <p>Update Nov 1 2017 The revised framework and policy has been completed and is currently being reviewed by HCC Compliance Champion and peer reviewed by Strategy for final submission to SLT for approval and implementation. This is expected to be finalised in March 2018.</p> <p>Update: Feb 20 2018 As above final compliance review to be completed for submission to SLT.</p>	Risk and Insurance Manager	Ongoing - submission to SLT for approval pending	30/06/2017	1/05/2018	GM Corporate
350	Strategic Procurement improvements	<p>The current overall procurement strategy was created in 2010 and needs to be refreshed. The strategy should be developed on a holistic basis to ensure it aligns with overall Council strategy.</p> <p>The lack of strategic procurement direction at an "all of Council" level means that some larger groups have undertaken their own analysis and obtain external advice on procurement strategy.</p> <p>Strategic procurement should also be applied at an individual procurement level in terms of a greater focus on upfront planning and communication with suppliers (refer to appendix IV).</p> <p>Risk / Implication Without an "all of Council" procurement strategy Council risks groups undertaking procurements that are not aligned to Council's strategy and value for money may not be achieved.</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	<p>The Procurement strategy was completed in 2011 and updated in 2014 for NZTA funded aspects of the strategy. The proposed scope is wider than previously covered by the HCC Procurement Strategy. The strategy will be reviewed during the next financial year.</p> <p>AGREED RECOMMENDATIONS 1.1 Refresh the "all of Council" procurement strategy and ensure that it is regularly updated 1.2 Consider having yearly procurement strategies in place for each major purchasing group</p>	M	<p>Update: Nov 3 2017 Target is to commence in February 2018 with engagement with a full plan to be developed once business requirements for what is contained in the scope of the strategy are agreed and buy in from SLT is obtained. Target is completion by end of financial year.</p> <p>Update: Feb 20 2018 The work plan has commenced with Transportation and Capital Growth around the procurement strategy. Focus has been on the front end of the strategy with Transportation and expected to be completed early April. The detailed other areas of the business are to commence once these have been completed. Estimated date to be provided after Transportation and Capital Growth works has concluded.</p>	Procurement Manager	Ongoing - near completion	25/08/2017	15/07/2018	GM Corporate

351	Procurement policy and manual good practice improvements	<p><u>Observation</u> When comparing the Council policy and manual to good practice, we noted a number of areas where improvements could be made to strengthen the Policy/Manual. These are included in appendix II.</p> <p>A procurement manual update was programmed for this year.</p> <p><u>Risk / Implication</u> Council's policy and manual do not support good practice and increase the likelihood/impact of procurement risks effecting Council.</p>	Strategy Procurement Framework Assessment Aug 25/17	The Procurement Policy and Procedures Manual goes through a two yearly review cycle as well as mini reviews of any urgent updates on an as required basis. The major review is being undertaken this year and suggestions will be reviewed and incorporate where appropriate.	L	<p>Update: Nov 3 2017 Review started last week of Oct. in conjunction with Tomkins Wake and in house staff and will continue moving forward on a part time bases due to staffing issues. Updated drafts should be in place prior to Christmas. Work Plan will be formulated and put in Trim</p> <p>Update: Feb 20 2018 Policy changes are complete subject to SLT approval and procedure updates are in the final stages of completion.</p>	Procurement Manager	Prepare for sign off	25/08/2017	30/2/2018 Updated 8/3/2018 30/05/2018	GM Corporate
358	Operational improvements	<p><u>Observation</u> The use of a gateway mechanism to control the procurement process can potentially add an estimated 14 to 35 days onto the procurement process (based on 2-5 days to approve each gateway). This also is relative to the number of procurement advisors (2) and their workload. The gateway mechanism creates an impression that procurement are focussed on compliance, whereas a different approach could yield the same quality control and be more collaborative and more strategic focussed rather than compliance focussed. Our understanding is that the gateway process is a quality assurance methodology used in large State sector high risk projects and while it may be useful to ensure that inexperienced Council staff undertaking procurements are following the correct processes, for staff that are experienced it is seen as an administrative step.</p> <p><u>Risk / Implication</u> The procurement process is inefficient for internal users and external tenderers due to the additional time added. The Council is not seen as a good commercial partner to tender with and tenderers may price this into their tenders. 3.1 Council should review the gateway system to see if it is the most efficient mechanism to control procurement risks. 3.2 Consider what types (\$ and risk) of procurement should go through the gateway process. 3.3 Consider having more procurement advisors to work with the groups to guide them through the procurement process is a more appropriate procurement team model.</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	A review will be completed to test whether the gateway mechanism is fit for purpose. We will also review the Procurement Specialists and alignment with Groups. This includes looking at what resourcing levels are required to achieve this level of service.	L	<p>Update: Nov 3 2017 Hoping for 2018/19 budget to include a resource to help with this process. Work Plan will be formulated and put in Trim</p> <p>Procurement commenced a trial with two senior staff members in the Procurement Specialist roles last year to try and get more resource to guide inexperienced staff through the procurement process.</p> <p>This needs to be reviewed to understand resourcing levels and skills that are required to hit the required levels of service.</p> <p>Update: Feb 20 2018 Review identified opportunities to streamline the gateway process through improving competency at business unit level and reducing reliance on central procurement specialists. A unit workplan was developed in January 2018. As part of this, training has been developed and the first pilot completed 27 February 2018.</p> <p>Our review of the alignment of procurement specialists identified resource issues. However, any changes should be part of the wider assessment of our organisational capacity to meet the future obligations of the LTP.</p> <p>Submit for sign off.</p>	Procurement Manager	Prepare for sign off	25/08/2017	30/03/2018	GM Corporate
359	Outdated procurement templates	<p><u>Observation</u> The templates within the procurement manual don't necessarily align with the needs of the groups. This means that there is duplication of documents between group templates (self-developed) and Procurement templates. The Council manual is still using 3910:2003 which has been superseded by the latest version is 3910:2013 which is now the standard in the construction industry.</p> <p><u>Risk / Implication</u> Centralised procurement templates require regular updates and may not meet the requirements of all users, resulting in inefficiencies, duplication and variations in practice.</p> <p>Outdated contract templates (e.g. 3910) may increase the risk to Council. 4.1 If the Council wants to continue to use fixed templates, then they should be updated regularly (6 monthly) and incorporate feedback from the users or procurement could approve certain groups templates to be used in addition to the standard templates. 4.2 Update the 3910 contract documentation to the 2013 version, once appropriate training has been undertaken.</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	The Procurement Policy and Procedures Manual and templates goes through a two yearly review cycle as well as mini reviews of any urgent updates on an as required basis. A major review is being undertaken this year and this includes a review of all NZS3910 standard templates with a view to moving to the current standard. The current NZS3910 standard does not hold significant changes from the modified NZS3910 standard Council currently uses.	M	<p>Update: Nov 3 2017 The Procurement Policy and Procedures Manual is being reviewed by a part time resource and this is expected to be completed by June 2018.</p> <p>We have commenced the review of the NZS3910 in conjunction with Tompkins Wake in the last week of October.</p> <p>Target is new NZS3910 templates available for senior users and procurement manual updates in place by December. Training and full roll out is expected by March 2018.</p> <p>Update: Feb 20 2018 Two of three updated contract templates NZ3910 (Standard & Term Maintenance) have been completed and signed off by Tomkins Wake, and currently in use. Third contract (Design & Build) is currently going through legal review and expected to be completed by early April. Training programme commenced 26/02/2018. Once completed this audit item will be submitted for sign off</p>	Procurement Manager	Prepare for sign off	25/08/2017	30/1/2018 Updated 8/3/2018 30/04/2018	GM Corporate

360	Professional Services Panel (PSP) improvements	<p>Observation</p> <p>While groups thought the PSP are a useful procurement option. They raised a number of limitations with how they operate that caused them concerns that:</p> <ul style="list-style-type: none"> the administrative process that users go through to appoint a panel member to perform work is inefficient for lower value work. it is hard to ascertain value for money and price tension, especially for large scale works it drives direct appointments. <p>Risk / Implication</p> <p>PSP risks being bypassed if not efficient and Council may not be obtaining the best value for money.</p> <p>5.1 Implement staff awareness and training on how best to use the Professional Services Panels and simplify the paperwork</p> <p>5.2 Make it clear that there is the ability to request multiple panel members to quote for works above a certain value.</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	The current PSP process allows for offers of service from one or multiple consultants. We are currently developing a staff training package on PSP process and this will be reemphasised during it. A review is also being undertaken on streamlining aspects of the PSP process.	L	<p>Update: Nov 3 2017</p> <p>Trials commenced end of Aug to ensure payment process is working. Development of process in place to be completed by the end of Dec with a role out in the New Year. Update March 2018</p> <p>There are two areas of follow up:</p> <ol style="list-style-type: none"> Process Simplification - The vast majority of interactions relate to the payment process and we are running a trial to make that simpler. That commenced at the end of August and we will be looking to iron out and roll out in the New Year. Training - Module for PSP developed in Jan/Feb 18 with first training delivered in Mar 18 <p>Update: Feb 21 2018</p> <p>Training programme is underway in conjunction with above audit finding (359). This item is expected to be rolled out March 2018.</p>	Procurement Manager	Prepare for sign off	25/08/2017	30/07/2018	GM Corporate
361	Property, plant and equipment - stocktakes not performed	<p>We updated our understanding of the City Council's systems of internal control for property, plant and equipment. From this review we noted that there have been no fixed asset stocktakes performed in recent years. This is a matter of good stewardship and creates a risk around the accuracy of physical assets reflected within the City Council's financial statements as the assets may no longer be in the City Council's possession (whether as a result of theft, damage or other circumstances).</p> <p>Recommendation</p> <p>We recommend that fixed asset stocktakes are completed on a cyclical basis to ensure that assets recorded on the City Council's fixed asset registers remain under Council's control. Any information regarding the condition or state of assets should also be reflected within the fixed asset register following these reviews (that is, impairment or disposal if applicable).</p> <p>As part of the Asset Management Information Strategy (currently under development) and the Asset Management Improvement Programme for each activity area, we will consider the inclusion of fixed asset stocktakes.</p>	Audit NZ Draft Interim Audit Management Report June 2016	<p>Asset registers are updated and data verified at various times including as part of:</p> <ul style="list-style-type: none"> Revaluation Condition assessment programmes Staff and contractor observations during maintenance works Renewals and new works. <p>As part of the Asset Management Information Strategy (currently under development) and the Asset Management Improvement Programme for each activity area, we will consider the inclusion of fixed asset stocktakes.</p> <p>Project DAN - lead by Finance</p>	B	<p>Follow Up Comment: 3/11/17</p> <p>Council are currently going through a wider organisational focus on fixed asset stocktakes and lead by Finance with project DAN. The Asset Management Centre of Excellence is also uploading all asset registers into IPS an asset register platform.</p> <p>IS Unit has all HCC IT Assets recorded in the Configuration Management Database, the assets are also covered under the Ten Year Plan for funding to ensure renewal and currency of assets.</p> <p>Update on progress is expected in March 2018.</p> <p>Update: Feb 23 2018</p> <p>The Asset Management Centre of Excellence have assessed methods of asset verification and have determined there is sufficient fixed asset stocktakes that occur during revaluations and regular data audits.</p> <p>Discussions were held with Audit NZ in February 2018 and they are comfortable with this view. Finance is currently formalising this into a policy which will be produced by the target date.</p> <p>Submit for sign off.</p>	CIO and Finance Controller	Prepare for sign off	30/06/2016	14/03/2018	GM Corporate
362	Conflicts of Interest Policies	<p>We recommend that additional guidance is included on the differences between pecuniary and non-pecuniary interests, and actual, perceived or potential conflicts of interests as part of upcoming reviews of the Elected Members Code of Conduct and Conflicts of Interest Policy. This will ensure that there is a central point of reference for guidance on these matters.</p>	Audit NZ Draft Interim Audit Management Report June 2017	Conflicts of Interest Policy need to incorporate pecuniary and non-pecuniary interests into both policies and will ensure that is done. Pecuniary and Non-Pecuniary interests was incorporated into the induction process for Elected Members.	B	<p>Update: Nov 10 2017</p> <p>The Code of Conduct includes a section on conflicts of interest – there is not a separate policy. The Code is currently being reviewed and will be submitted to Council for approval at its March or April 2018 meetings. The updated Code of Conduct will address the Audit NZ recommendation and this finding will be submitted for closure.</p> <p>Update: Feb 20 2018</p> <p>The Code of Conduct and Conflicts of Interest Policy is currently being amended and will be presented at the March Council Meeting by Governance. This matter is expected to be submitted for sign off / closed before next ARC meeting.</p>	Governance Manager	Approval by Council pending then submit for sign off	30/06/2017	1/04/2018	GM Corporate

364	IT Risk framework	The City Council does not have an IT risk framework in place to assess, monitor and respond to IT risks. We understand that project risks are monitored as part of the IT project methodology. Recommendation We recommend that an IT risk framework be developed to identify, assess, monitor and respond to IT risks. This framework should be consistent with the City Council's organisational risk framework.	Audit NZ Draft Interim Audit Management Report June 2017	IT Risks are in the process of being aligned with the organisation risk framework. The IT risks are being managed as evident in the recent discussion at Audit and Risk Committee on Cyber Security and audit is progress surrounding Cyber Security.	N	Update: Nov 3 2018 IS are migrating to the organisational risk framework currently under improvement with the CAMMS Risk Module. IS has implemented the organisational Risk Registers for operational teams and are currently reviewing them. In addition IS are adopting the Protective Security Requirement (PSR) framework to support their current improvements. This is yet to be established as it is a wider organisational improvement measure being managed by IS and Risk business units. Update: Feb 20 2018 Councils new risk management framework platform is still being established with expectation of implementation by 30/03/2018. The adoption by IS is still progressing in line with this risk platform implementation. Work on the PSR framework adoption is still yet to be initiated due to resource and financial restrictions. A workplan is to be established by IS CTO and Risk Manager with approval sought from GM Corporate. Next progress report due June 2018.	CIO	Establishment still ongoing	30/06/2017	30/09/2018	GM Corporate
366	Review and update IT Policies and develop policy awareness programme	The City Council's IT policies were due for review in 2016 but have not yet been reviewed and updated. In addition, we note that there is no overarching IS security framework. We understand that a cybersecurity governance review is underway and this will drive the development of a new security framework and policies. We note that during the year an online IT induction training course has been developed to assist in training new staff. Recommendation We recommend that the City Council prioritise the development of the IT security framework and updating of IT policies. A policy awareness and enforcement programme should be included in the IT security framework. Additionally, we recommend that the City Council require all staff and contractors to complete the new IT online induction programme.	Audit NZ Draft Interim Audit Management Report June 2017	Information Services has just recently procured the MPA IT Policy Management system for implementation. Part of this implementation would cover the review and communication of policies to stakeholders as applicable.	N	Update: Nov 3 2018 The new policy management system is making good progress, policies have been reviewed and sent back for formatting into the system. It is expected the final draft will be completed by the vendor and a two week SLA put in place for implementation expected to be fully completed Jan 2018. Update: Feb 20 2018 The MPA IT Management system policies have been completed and ready for implementation after SLT approval has been obtained. This is expected to be completed by April 2018. Expected to close this item by next ARC meeting in June.	CIO	Near completion for sign off	30/06/2017	31/1/2018 Updated 8/3/2018 30/05/2018	GM Corporate
368	Management of Generic (shared) network login accounts	The City Council does not have procedures in place for reviewing and removing redundant generic (shared) network login accounts. We browsed the network account list and noted a high number of these types of accounts - many of which no longer appear to be used.	Audit NZ Draft Interim Audit Management Report June 2017	Fujitsu has been engaged to review HCC's on boarding and off boarding process, focussing on Active Directory. Security levels and generic logins are included in this review.	N	Update: Nov 3 2018 As related to updated comment above (366) the policy management improvements will address this finding. Processes have been implemented and currently operating for contractor personnel. Update: Feb 20 2018 The onboarding and offboarding process will be finalised after the completion of the above MPA IT policy approvals by SLT and implementation initiated. Expected to close this item by next ARC meeting.	CIO	Near completion for sign off	30/06/2017	30/1/2018 Updated 8/3/2018 30/05/2018	GM Corporate

370	Business Intelligence Maturity Scan Light Reporting	<p>Departments that completed the questionnaire were after the following features:</p> <ul style="list-style-type: none"> • reports with drill-down and filtering functionality • statistical analysis / modelling techniques capability • forward looking analytics based upon historical data <p>Recommendations:</p> <p>We recommend starting with organisation-wide areas (typically Finance & HR) to expose a wider audience to regular & visual reporting. This will encourage a shift from the current snap-shot style of reporting towards reporting that is more dynamic and insightful. As a first stage, we recommend focussing on only a small set of reports, which should be a common view of the data receivers. The requirements should be business driven and delivered against in a structured and repeatable fashion using resources from the Data Services Team and the business. Once successful this prototype can be expanded over time.</p> <p>1.2 Implement regular reviews of the actual use of the individual reports (currently: around 1000) to ensure that old reports are identified and removed from the enterprise reporting platform.</p>	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	<p>HCC have identified the need to advance the organisation's BI and analytics capability to better support both repeatable enterprise reporting and advanced analytical modelling with the use of historical data. The Information Management Team in partnership with the Growth Team are currently defining the strategic case for investment. This will take the form of a full BI and Analytics Roadmap and an accompanying Business Case.</p> <p>Follow Up Outline: 6/12/2017</p> <p>Opal3 is a BI tool that has been adopted by parts of the organization to accumulate and report on non financial information. While it is not clear whether the system has been adopted formally by IS or the whole of HCC, Finance has commenced initial investigation into whether the system would be able to meet our current and development BI needs for Financial information. Key to this is the ability to tap into existing data sources such as Microsoft AX and Authority.</p> <p>PowerBI is an add-on to the current Microsoft AX Financial system that comes bundled with the planned AX upgrade in 2018/19. Finance is reviewing this tool in comparison with Opal3. Noting that Power BI could be purchased independently prior to upgrading AX.</p> <p>Finance will work with IS and Growth in this development. Our initial investigations should be completed early in 2018.</p>	L	<p>Update: Dec 6 2017</p> <p>Finance is currently investigating 2 obvious options for development into the BI space. Neither option involves capital investment and our objective at this stage is to use the exercise to better understand what tools we have available as part of business as usual before we consider wider options.</p> <p>Update: Feb 20 2018</p> <p>Initial screen of BI options is completed. Initial presentations of Opal3 and Power BI systems in December 2017 will culminate in presentation of options to the finance team on Friday 16 March 2018 and thereafter as required. The results will be passed onto the IS and Growth teams for inclusion in their BI business case.</p> <p>Finance has expended use of the existing Enterprise Reporter 2012 system through our data warehouse and commenced training for both the Finance Team and Business Units.</p> <p>Our review suggests that data validation is ongoing through internal controls and audit. Subject matter experts monitor data in most areas and further work is being undertaken through the BI development process.</p>	Financial Controller/ CIO	Ongoing - BI systems reviews	25/08/2017	30/3/2018 Updated 8/3/2018 30/11/2018 expanded programme of work	GM Corporate
371	Business Intelligence Maturity Scan Light Information Access	<p>There is a lack of data accessibility across the organisation. A lack of process documentation causes data to be inaccessible by other departments, creating inefficiencies where the same data is collected by different departments to suit their needs.</p> <p>Recommendations:</p> <p>Ensure that the availability of data is clearly documented and understood. This will improve accessibility to data so that data receivers can obtain their information in a modern and user friendly way, so that pre-defined information that combine different data sources can easily be made available as well.</p>	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	<p>HCC have identified the need to advance the organisation's BI and analytics capability to better support both repeatable enterprise reporting and advanced analytical modelling with the use of historical data. The Information Management Team in partnership with the Growth Team are currently defining the strategic case for investment. This will take the form of a full BI and Analytics Roadmap and an accompanying Business Case.</p>	L	<p>Follow Up Comment: 6/12/2017</p> <p>As above (370) finance response to this finding will be addressed collectively.</p> <p>Update: Feb 20 2018</p> <p>This item is submitted for merging with item # 370</p>	Financial Controller	Prepare for Sign Off	25/08/2017	30/03/2018	GM Corporate
372	Business Intelligence Maturity Scan Light Quality and Process	<p>There is no programme across the organisation to ensure that master data and data quality are managed appropriately.</p> <p>Recommendations:</p> <p>Introduce the role of data subject matter experts (SMEs) within the business, so that it is clear ownership of the data. The data SME will then drive the management of the data to ensure quality.</p>	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	<p>The above exercise (1.(371)) will address the areas of Governance and Engagement within which the requirement for Data Quality and Process Ownership will be clearly defined.</p>	M	<p>Update: Dec 12 2017</p> <p>As above (370) finance response to this finding will be addressed collectively.</p> <p>Update Feb 20 2018</p> <p>Our review suggests that data validation is ongoing through internal controls and audit. Subject matter experts monitor data in most areas and further work is being undertaken through the BI development process.</p> <p>This item is to be submitted for Sign Off</p>	Financial Controller	Prepare for Sign Off	25/08/2017	30/03/2018	GM Corporate
373	Business Intelligence Maturity Scan Light People	<p>PwC notes that the practices of rewarding employees for providing valuable insights and empowerment by the business to challenge the current ways of working is only implemented in the growth area. This is lacking in other areas, particularly through the lack of resource available in the Finance department required to achieve this.</p> <p>Recommendations:</p> <p>The data SME roles may in some cases be delivered by existing staff in conjunction with their existing roles; and that in other cases it may be necessary to provide a dedicated resource depending on the nature of the business unit and their specific need to improve the way they control, use and share their data.</p>	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	<p>The above exercise (1.(371)) will address the areas of Delivery Model and Performance within which the requirement to build out the organisational capabilities (skills and resources) and identify the process for iterative development (DevOps) in support of data driven insights will be clearly defined.</p>	L	<p>Update: Dec 12 2017</p> <p>As above (370) finance response to this finding will be addressed collectively.</p> <p>Update: Feb 20 2018</p> <p>HCC has a reward and recognition programme that looks to recognise outstanding behaviours/values as well as higher levels of performance.</p> <p>The Finance team has a special projects team of 3, as well as a business support team of 5 FTEs. No further resources are currently being sought.</p> <p>This item is to be submitted for Sign Off</p>	Financial Controller	Prepare for Sign Off	25/08/2017	30/03/2018	GM Corporate

374	Business Intelligence Maturity Scan Light Organisation	<p>The strategic vision is not aligned with the business's business intelligence capability.</p> <p>Recommendations: Introduce a mandated approach and programme of work that is aligned with HCC's strategic vision. The purpose of this will be to fund and drive the technology and business change required for HCC's future reporting, BI and analytics capability.</p>	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	The BI and Analytics Roadmap and accompanying Business Case will clearly define the alignment of business BI capability and the strategic vision of the organisation. Subsequent activities will identify relevant KPIs for this program of work.	<p>Update: Dec 12 2017 As above (370) finance response to this finding will be addressed collectively.</p> <p>Update: Feb 20 2018 Initial screen of BI options is completed. Initial presentations of Opal3 and Power BI systems in December 2017 will culminate in presentation of options to the finance team on Friday 16 March 2018 and thereafter as required. The results will be passed onto the IS and Growth teams for inclusion in their BI business case.</p> <p>Finance has expended use of the existing Enterprise Reporter 2012 system through our data warehouse and commenced training for both the Finance Team and Business Units.</p> <p>Propose merging this item with item # 370</p>	Financial Controller	Ongoing - BI systems reviews	25/08/2017	30/03/2018	GM Corporate
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Council Report

Committee: Audit & Risk Committee

Date: 08 March 2018

Author: Andre Chatfield

Authoriser: David Bryant

Position: Risk and Insurance Manager

Position: General Manager Corporate

Report Name: Risk Management Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee of progress managing Council's Risks.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Background

2. Hamilton City Council has eight key Material Risks that are managed by the Risk Manager in conjunction with the risk owners.
3. These risks are detailed in attachment one along with a status update for each.

Discussion

4. All other organisational risks are managed within each Council activity or business unit.
5. A review of Council's current decentralised risk register management system has been completed and opportunities were identified to improve the management of risks by adopting an online centralised system.
6. Council has selected the CAMMS Risk Management software platform and this system will consolidate 27 organisational risk registers.
7. The key benefit of implementing a centralised system will be to increase the transparency of risk management identification and management efforts across Council. This will improve the timeliness of risk awareness and reporting. It will also increase the speed and efficiency when auditing and reviewing risk mitigation and monitoring activities.
8. Implementation is scheduled to be complete by 31 March 2018.

Attachments

Attachment 1 - HCC Material Risk Report - 8 March 2018 .

Material Risks Summary – March 2018

Rank	Risk Description	Inherent Risk Rating Rated before controls are implemented	Residual Risk Rating Rated after the controls have been implemented
1	H&S – Workers (incl contracted workers and volunteer workers). Failure to create and maintain a safe environment for staff leading to death, serious injury.	Extreme*  Very High	High 
2	H&S - Community Failure to create and maintain a safe environment for the community leading to death, serious injury.	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 	Very 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.

** We take 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
<ul style="list-style-type: none"> 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	M	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	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.

- 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	
<ul style="list-style-type: none"> 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	M	H	VH	VH
	Unlikely	L	M	M	H	H
	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.

- A** Risk of serious injury or death
- B** Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Further Actions Required	Update –March 2018	Action Owner
<ol style="list-style-type: none"> 1. Establish a governance framework for the engagement and management of contractors 2. Enhance the safety behaviours / culture program (take it to the next level of maturity) 3. 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 4. Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls. 	<ul style="list-style-type: none"> • A suite of Current Best Practice Principals and Guidelines is being developed with emphasis on the 12 critical H&S risks still yet to be finalised. Consultation planning with business units is underway prior to final approval for implementation. • There has been a 34% reduction in LTI's over the last 12-month period since last reporting. Further detail is outlined in the H&S Committee Report. • H&S Prequalification contractor management is now fully operational across the region. HCC will be establishing a quality assurance annual audit of the external prequalification provider SHE. This will be data integrity focused. • A H&S training programme review is being established to ensure alignment with Current Best Practices. This is expected to be initiated in March 2018. • A People Safety and Wellness Strategic Plan has been developed to support the H&S Assurance and Engagement Leads. 	David Bryant (General Manager Corporate)

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	

Risk Triggers
<ul style="list-style-type: none"> 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

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	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	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.

(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	
<ul style="list-style-type: none"> Health and Safety Management program implemented 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 	

Residual Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	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	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.

(A) Risk of serious injury or death

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

Further Actions Required	Update – March 2018	Action Owner
<ol style="list-style-type: none"> 1. 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 2. Enhance understanding of key risk scenarios and commonality of critical controls. 3. Ensure on-going monitoring of effectiveness of critical controls where community is exposed. Yet to be established 	<ul style="list-style-type: none"> • The H&S Team have initiated combined support with the Community Group for Safety and Design factors within projects to ensure H&S risks are identified and mitigated during development/modifications of infrastructure and public facilities. • Councils Project Contractor Management framework review is currently underway to identify improvements during project management with emphasis H&S risks are being managed appropriately. This is expected to be completed by end of 2018. • The modelling of the Protective Security Requirements (PSR) is still to be established with the intent of supporting the management of security <u>and</u> safety to HCC's major venues. This involves conducting a gap analysis to determine any exposes and is expected to be presented to SLT mid 2018 for consideration after resources are identified. 	<p>David Bryant (General Manager Corporate)</p>

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

Risk Triggers					
<ul style="list-style-type: none"> 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	Almost Certain	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Catastrophic	Inherent Risk Rating	Extreme 

Existing Controls and Mitigations					
<ul style="list-style-type: none"> Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM City Infrastructure AMP renewals with associated governance at SLT levels Resilience considerations fed into long term asset planning to extend asset life Financial peer reviews of critical assets and supported by Council insurance programme 					
Residual Likelihood	Unlikely	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Catastrophic	Residual Risk Rating	Very High 

Further Actions Required	Update – March 2018	Action Owner
<ol style="list-style-type: none"> 1. Identify critical assets within AMP providing a critical service 2. Develop asset condition management strategy 3. Increase detailed budget planning from 3 and 10 years to 30-year period 4. Independent reviews across all Asset Management Plans established Feb 2017. 5. Infrastructure performance measures to enable ongoing monitoring should be reported to the ARC. 	<ul style="list-style-type: none"> • Critical infrastructure assets have been identified for the activity and forecasting required renewals and maintenance programmes. • Asset Management Plans (AMPs) have been prepared for use in 2018-28 10-Year Plan and will be approved after the 10-year plan has been approved. • External independent reviews of AMPs have been conducted. • The Organisational Improvement programme for asset management has been updated following an external maturity assessment in August and September 2017. 	Chris Allen (General Manager City Infrastructure)

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					
<ul style="list-style-type: none"> 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					
<ol style="list-style-type: none"> 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 2018	Action Owner
<ul style="list-style-type: none"> Visibility and ownership of Business Continuity Plans to be outlined to all assigned SLT members Velocity site to be updated with easy access instructions in response to an event. Business Continuity Plan testing plans extended to Nov 2017 due to priority matters related to LTP 	<ul style="list-style-type: none"> BCP's established across the organisation after a review was completed end of 2016. The BCP testing programme was established with cross support from Civil Defence and will be implemented after the current annual review underway. Current BCP review across the organisation is emphasizing business impacts at operational levels below major events. i.e. 	David Bryant (General Manager Corporate)

	<p>major seismic, tornado, fire events where Civil Defence is declared. Improvement programme is expected to be completed by May 2018.</p> <ul style="list-style-type: none">• An integrated approach to incident management has been established outlining emergency, crisis and business continuity for the organisation. The roll out of this framework is still yet to be fully implemented as the organisational emergency management framework is being established and communicated concurrently.• PSR framework is expected to influence and support this integrated response capability of the above comment. Additional works are still being established to support the PSR framework and expected to be fully implemented Nov 2017	
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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	Blair Bowcott (Special Projects Director)	Category	Disaster Recovery

Risk Triggers					
<ul style="list-style-type: none"> 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	Likely	Inherent Consequence Driver Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic	Inherent Risk Rating	Extreme 

Existing Controls and Mitigations					
<ul style="list-style-type: none"> Regional Group Contract Initiative (RGCI) Approved 05/09/2016 by Council. Simulation exercises will be conducted in accordance with Group Contract requirements CIMS model of training program to staff to meet civil defence standards Dedicated emergency operations centre till Oct 2016 from Regional EOC Civil Defence Standard Operating Procedures Capability Assessment 2017 Annual self-assessment of HCC's preparedness for a civil defence emergency Audits from the Ministry of Civil Defence and Emergency Management every 3 years 					
Residual Likelihood	Unlikely	Residual Consequence Driver Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic	Residual Risk Rating	Very High 

Further Actions Required	Update – March 2018	Action Owner
<ol style="list-style-type: none"> 1. Monitoring of SLA in place with WRC and reporting bi-annual progress reports. 2. Review and communicate emergency response procedure to lift civil defence awareness through the organisation 3. Develop succession plan for critical Emergency Management knowledge 	<ul style="list-style-type: none"> • Civil Defence Work Plan for 2017 by WRC (Group) in place and significant progress against the plan has been accomplished YTD HCC reports quarterly to the C&S Committee on the progress of the CDEM Workplan and next report to C&S on 17 April • Establishment of a National Public Alert System still ongoing and recently tested through the national text services. National trial undertaken on 26/11/17 and the review of the trial has yet to be released • HCC continues to have significant investment in staff training with 317 staff having completed some type of CDEM training year to date. Total of 345 training opportunities taken up during 2017. The new training programme to June 2018 has been released and bookings are being taken. • The CDEM Foundation course is now available as an online course and can be used as a refresher or as an alternative to face-to-face training. • The construction of the new IL4 (Genesis building), being the base for delivery of CDEM services, remains on tract and should be operational at the time of this committee meeting. The final user testing of the shared Emergency Operating Centre hardware at Genesis building is scheduled to be completed by end of February at which time the final switch over to the new centre will occur. All other checks have been completed • The HCC Recovery Manager has been appointed to support any response to an event. Formal training for the role commences on 22/02/18. • The Alternate HCC Controller will be attending the National 	Blair Bowcott (GM - Special Projects)

	<p>Controllers Development Programme in Wellington on 25th Feb – 2nd March 2018</p> <ul style="list-style-type: none"> • An external CDEM capability assessment of HCC CDEM will take place on 29 March. This will be the second such assessment and is conducted by Department of Prime Minister and Cabinet. Results should be available by late April. 	
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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					
<ul style="list-style-type: none"> 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					
<ul style="list-style-type: none"> 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 

Further Actions Required	Update – March 2018	Action Owner
<ul style="list-style-type: none"> • Review Council’s Financial Strategy underway as part of the 2018-28 10-Year Plan process. • Review Council’s Revenue and Financing Policy, Funding Needs Analysis Policy, and Rating Policy. 	<ul style="list-style-type: none"> • The Financial Strategy measures have been accepted by Council as part of the approved draft 2018-28 10-Year Plan. • These policies will be finalised as part of the 2018-28 10 Year Plan process. 	Richard Briggs (CE – Council)

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					
<ul style="list-style-type: none"> 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	Possible	Inherent Consequence Driver Information Management/ Information Technology, Service Delivery, Safety & Wellbeing	Catastrophic	Inherent Risk Rating	Very High 

Existing Controls and Mitigations					
<ul style="list-style-type: none"> 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 Technical support from key vendors - Microsoft and Fujitsu IT Security Management Policies and Procedures External and internal security audit and reviews 					
Residual Likelihood	Unlikely	Residual Consequence Driver Information Management/ Information Technology, Service Delivery	Catastrophic	Residual Risk Rating	Very High 

Further Actions Required	Update – March 2018	Action Owner
<ul style="list-style-type: none"> • Enhance understanding of key activities where we need back up or manual intervention. • Develop action plans to ensure there is a backup in place for critical activities. • Ensure on-going monitoring of effectiveness of critical controls. • Develop and implement procedures for monitoring unusual network activity. 	<ul style="list-style-type: none"> • PwC have completed a Cyber Security Governance audit in August 2017 and are still completing a more detailed review of Council’s control environment. The final audit report is still pending and expected by June 2018. • The Business Services Catalogue (BSC) has been established and includes categorising of all services and now part of BAU • Disaster Recovery Plan (DRP) is still being developed and while implemented is continually being reviewed due to the changing risk environment of IT. Development is still being managed by Information Services and will include an Incident Management Plan for council’s environment. 	<p>David Bryant (General Manager Corporate)</p>

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	Kelvyn Eglinton (GM City Growth)	Category	Strategic

Risk Triggers					
<ul style="list-style-type: none"> 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					
<ul style="list-style-type: none"> 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 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 					
Residual Likelihood	Unlikely	Residual Consequence Driver Social, Cultural and Environment	Serious	Overall Residual Risk Rating	Medium 

Further Actions Required	Update – March 2018	Action Owner
<ul style="list-style-type: none"> Establish a process of rigorous modelling and scenario planning Establish a suite of relevant, trusted data sources 	<ul style="list-style-type: none"> A review and documented improvements to growth and transport model calculations is established with continual ongoing improvement considerations to improve research calibre. Technical phase reviews are in place and include district growth and sub-region approach which is 	Kelvyn Eglinton (General Manager City Growth)

	<p>currently being reviewed by BERL.</p> <ul style="list-style-type: none"> • NPS is enacted by legislation. A sub-regional review of land use, demand and supply is underway. • Tracking infill development against 50% growth target. • Quarterly analysis of external housing, market drivers is captured in the Hamilton Housing Market & Economy Growth Indicator Report • Business case for HIF submission confirmed supply and demand analysis and a positive cost benefit analysis. HIF is currently with cabinet ministers, and awaiting final signoff as part of the LTP. 	
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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	H	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	H

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.

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

*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.

APPENDIX C – RISK MATRIX LEGEND

Risk Matrix Legend					
	Description	Reputation	Health and Safety	Service Delivery (Strategy incl)	Financial
5	Catastrophic	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

3	Serious	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Reputation is not affected. • No media attention. • All communications and recovery can be managed internally. 	<ul style="list-style-type: none"> • No loss or significant threat to health or life. • Council's safety practices are questioned but are found to be appropriate. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.

Council Report

Committee: Audit & Risk Committee **Date:** 08 March 2018
Author: Russell Hynd **Authoriser:** David Bryant
Position: Finance Manager **Position:** General Manager Corporate
Report Name: Annual Report 2018 Planning Update

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee on the plan and timetable for the 2018 Annual Report.

Staff Recommendation

2. That the Audit and Risk Committee receives the report.

Discussion

3. Council is currently planning for the preparation of the 2018 Annual Report.
4. We are working with the Council Controlled Organisations (CCOs) to ensure timely information is produced.
5. An annual reporting timetable has been prepared to ensure timely and quality information for the Audit process.
6. Attached is the Audit plan for the year ending June 2018 from Audit New Zealand.
7. It includes the areas of audit focus, the logistics of completing the audit and the communication objectives.
8. 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.

Attachments

Attachment 1 - Audit NZ Audit Plan - Year Ending 30 June 2018 .

Audit plan

Hamilton City Council

For the year ending 30 June 2018

Audit plan

I am pleased to present the arrangements for the audit of Hamilton City Council for the year ending 30 June 2018. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process	8
Reporting protocols	11
Audit logistics	12

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.

We are committed to delivering a high-quality audit. Our audit is risk based, which means that we focus on the areas that matter. Every member of the audit team will contribute to achieving the highest standard of professional excellence.

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

Yours sincerely



Leon Pieterse
Director
27 February 2018

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, this table sets out the main audit risks and issues.

Audit risk/issue	Our audit response
Changes in group structure	
<p>The City Council indirectly owned 100% of Waikato Innovation Park Limited (WIPL), until its sale in December 2017.</p> <p>The operations of WIPL and its parent entity, Innovation Waikato Limited (IWL) have previously been consolidated into the City Council's group financial statements.</p> <p>Following the sale of WIPL, the City Council established a new Council Controlled Organisation – Waikato Innovation Growth Limited (WIGL). This entity is 100% owned by the City Council, and as such will need to be consolidated into the City Council's group financial statements.</p> <p>We understand that Council are currently in the process of liquidating IWL.</p> <p>These changes to the group structure are likely to result in a number of complex accounting entries, and will impact on the preparation of the City Council's group financial statements.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • reviewing the sale and purchase agreement for WIPL; • reviewing the proposed accounting entries within the City Council's parent financial statements to recognise the sale of WIPL, and the investment in WIGL; • reviewing the proposed accounting entries in the group financial statements to recognise the consolidation of the IWL group's results up until the date of liquidation; and • reviewing the proposed accounting entries in the group financial statements to recognise the consolidation of the WIGL group's operations as at 30 June 2018.

Audit risk/issue	Our audit response
Revaluations and fair value assessments	
<p>We understand that the City Council’s refuse, parks and gardens improvements, land and buildings assets will be revalued during the financial year.</p> <p>The City Council also periodically revalues the following asset classes:</p> <ul style="list-style-type: none"> • heritage assets; • roads and traffic network; • water reticulation; • water treatment; • wastewater reticulation and pump stations; • wastewater treatment; and • stormwater. <p>If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the City Council to comply with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p>	<p>For classes of assets subject to revaluation during the year we will:</p> <ul style="list-style-type: none"> • 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. <p>Any revaluation adjustments should be completed as soon as possible after the revaluation date to ensure discrepancies are resolved promptly.</p> <p>Fair value assessments will need to be completed for those classes of assets that are periodically revalued to confirm that there is no material difference between their carrying amount and their fair value. We will review the City Council’s assessment of whether there is any material difference.</p>

Audit risk/issue	Our audit response
Timely capitalisation of work in progress and vested assets	
<p>The City Council has historically experienced difficulties capitalising work in progress and vested assets in a timely manner. This creates a risk that information used for decision making may be incomplete or inaccurate.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • 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.

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.

Audit risk/issue	Our audit response
Employee remuneration and severance matters	
<p>Employee remuneration and severance payment related matters remain an area of significant public interest.</p> <p>The Local Government Act 2002 specifies a number of disclosures that the City Council is required to make in regards to employee remuneration and severance payments.</p>	<p>We will examine any severance payments made to employees as part of exit settlements – especially when senior former staff are the recipients – to ensure a principled approach has been followed in reaching settlement.</p> <p>In addition, we will confirm the accuracy and completeness of any employee remuneration or severance payment disclosures.</p>

Audit risk/issue	Our audit response
Rates	
<p>Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of legal challenge.</p> <p>Due to prior year issues and concerns over rating practices in the local government sector as a whole we focused our attention on the Council's compliance with rating legislation and regulations during the 2017 audit.</p>	<p>For 2018 we will again consider the Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of our audit, and our expertise as auditors. The Council has responsibility for ensuring that it complies with applicable laws and regulations.</p>
Local Authorities (Members' Interest) Act 1968	
<p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the City Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.</p> <p>The Auditor-General's 2010 report <i>Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968</i> provides useful guidance for both Council and elected members on their requirements under the Act.</p>	<p>It is primarily the City Council and elected member's responsibility to ensure the requirements of the Local Authorities (Members' Interests) Act 1968 are complied with. We will update our understanding of the City Council's policies and processes in relation to members' interests and in the course of our usual audit work we will remain alert for any potential breaches of the Act.</p>

Audit risk/issue	Our audit response
Elected members - remuneration and allowances	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a local authority's policy on allowances and expenses.</p> <p>Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p>

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.

The risk of management override of internal controls

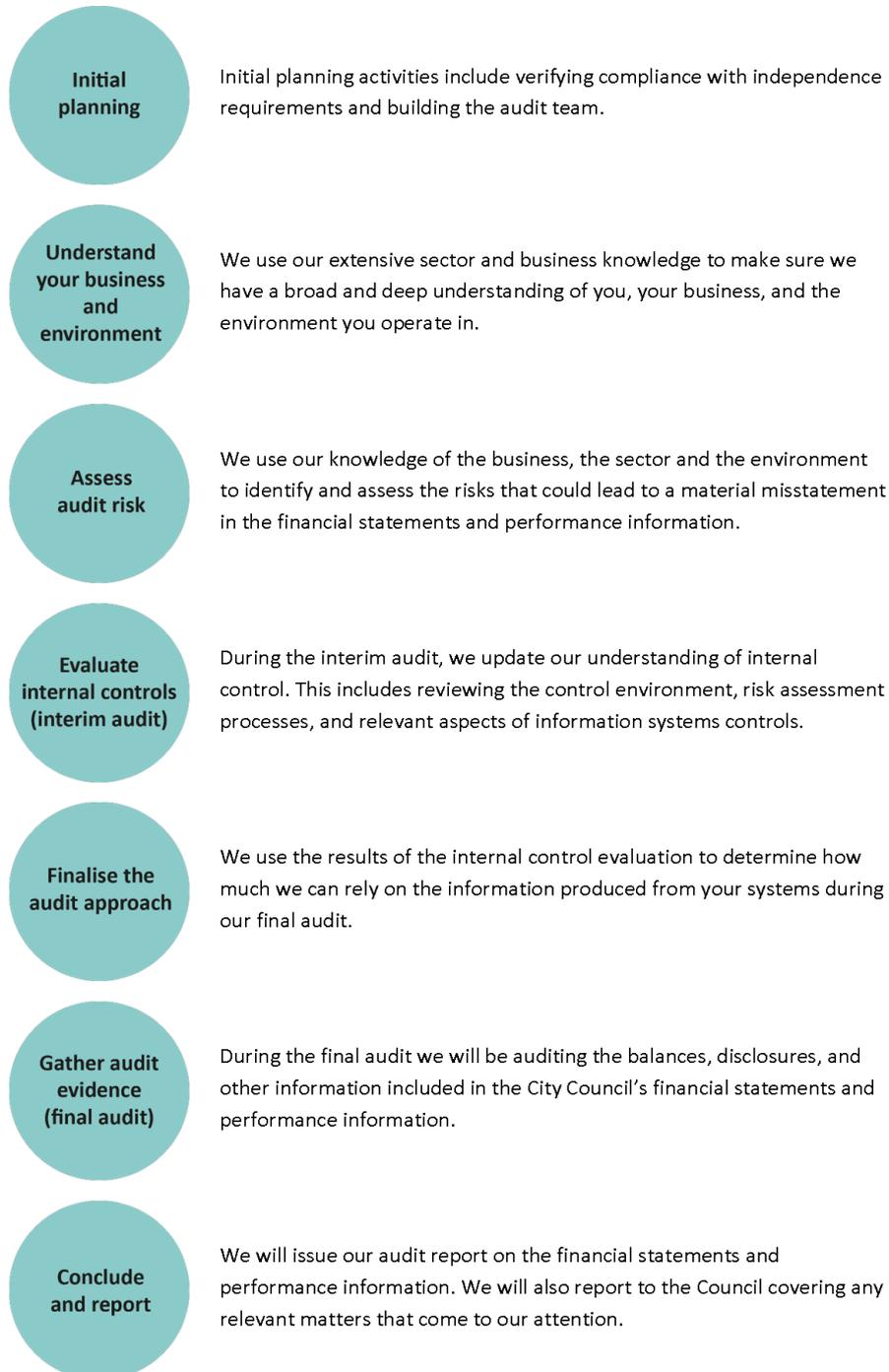
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.

Our responsibility

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.

Our audit process



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.

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 the 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 Russell Hynd is our key contact for the audit. We will regularly update Russell 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.

Reports to governors



We will provide a draft of all reports to governors to 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 senior audit team members are:

Leon Pieterse	Appointed Auditor
Jo Smaill	Engagement Quality Control Reviewer
Jared Williams	Audit Manager
Liz Tuck	Assistant Manager

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.

Timetable



Our proposed timetable is:

30 April 2018	Review of refuse and parks and gardens improvements revaluations
7 May 2018	First interim audit begins
21 May 2018	Second interim audit beings
5 July 2018	Draft interim management report issued
6 August 2018	Draft financial statements and performance information available for audit (including notes to the financial statements) with actual year-end figures
6 August 2018	Final audit begins
29 August 2018	Annual report available, including any Chair's and Chief Executive's overview or reports, incorporating all the amendments agreed to between us
11 September 2018	Verbal audit clearance given
11 September 2018	Draft Audit opinion available
21 September 2018	Draft final detailed management report issued
11 October 2018	Audit opinion issued

Expectations



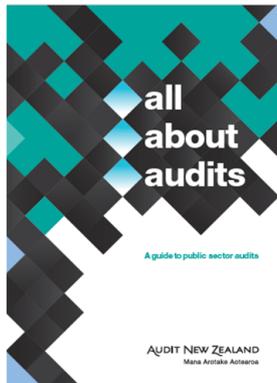
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter dated 2 May 2017.

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

Audit New Zealand, PO Box 1165, Auckland 1140
www.auditnz.govt.nz

Council Report

Committee:	Audit & Risk Committee	Date:	08 March 2018
Author:	Russell Hynd	Authoriser:	David Bryant
Position:	Finance Manager	Position:	General Manager Corporate
Report Name:	Fitch Credit Rating		

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee of the Annual Rating Report prepared by Fitch Ratings based on the year ending June 2017.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Discussion

2. Hamilton City Council uses Fitch Ratings to complete an independent review of how we are managing financially.
3. Fitch Rating assesses Council based on an analysis of published Council reports and plans, national and regional socio-economic data, and information provided by Council staff.
4. Fitch Ratings assign credit ratings as part of their assessment and publish a comprehensive Annual Rating Report which provides information on key indicators of Council's financial health. (See attachment one for the full report).
5. These ratings inform stakeholders of Council's ability to pay back debt by making timely interest payments, and the likelihood of default.
6. The ratings are taken into consideration by lending facilities to determine the cost of debt being borrowed i.e. a higher rating means we are a lower risk to lend money too, which results in lower interest rates.
7. In this most recent review Council has maintained a long-term AA- rating that places us as a high-quality investment grade organisation. Council has also maintained its short term F1+ rating which indicates a strong capacity to meet our financial commitments.

Attachments

Attachment 1 - Fitch Credit Rating Full Report 2017 .

Hamilton City Council

Full Rating Report

Ratings

Local Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Senior secured debt	AA-

Outlook

Long-Term Local-Currency IDR	Stable
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Financial Data

Hamilton City Council	30 Jun 17	30 Jun 16
Operating revenue (NZDm)	206.7	201.8
Debt (NZDm)	429.3	364.1
Operating balance/operating revenue (%)	31.59	29.73
Debt service/ current revenue (%)	36.210	29.43
Debt/current balance (yrs)	9.08	8.95
Operating balance/interest paid (x)	3.2	2.8
Capital expenditure/total expenditure (%)	28.41	25.94
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	3.62	14.18
Current balance/capital expenditure (%)	54.94	57.57

Source: Hamilton City Council, Fitch

Key Rating Drivers

Sound Credit Profile: The ratings on Hamilton City Council reflect the strong institutional framework for local and regional councils in New Zealand, the healthy economic environment, and Hamilton's solid management and administration and robust fiscal performance. The ratings also take into account the city's debt metrics, which have improved but remain weaker than that of highly rated international peers.

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

Robust Financial Performance: Hamilton had current margin (current balance/current revenue) of 22.65% in the financial year to 30 June 2017 (FY17), which was 2.72pp more than in a year earlier and the highest since FY13, according to Fitch's calculations. The margin was well above that of international peers, and was driven by a stable increase in rates revenue and higher-than-expected revenue from fees and charges. Fitch expects the fiscal performance to continue due to the healthy financial management practices adopted by Hamilton.

Healthy Local Economy: Hamilton is a fast-growing, diversified and services-led economy that is underpinned by large government activity in science, education and health. The city's population continued to grow and reached around 161,200 by FYE16 and its GDP grew 3.3% to NZD7.7 billion in FY17. The employment market in Hamilton has been improving gradually over the years, and Fitch expects the trend to continue.

Debt Likely to Remain High: Hamilton's debt-to-current revenue ratio is weak relative to that of its international peers and reached 205.6% by Fitch's calculation. Hamilton is proactively seeking options to cope with future infrastructure needs by applying for funds from the Housing Infrastructure Fund (HIF) established by New Zealand government; the business case is underway, but the housing development and other capital requirements are expected to add to existing high council debt. Debt is assessed as a rating weakness.

Visible Capex Requirements: The council publishes a 30-year infrastructure plan and sets out a 10-year plan, which it revisits every three years to update fiscal performance forecasts, including capex. The practice helps to visualise future council capex needs with higher precision. Hamilton is now reviewing its new 2018-2028 10-year plan to incorporate changes in the council's financial strategy. The council expects to adopt the new 10-year plan in mid-2018.

Rating Sensitivities

Budgetary Performance: Hamilton's ratings could come under pressure if its budgetary performance deteriorated significantly, with current margins dropping to below 12%. Significant deterioration in debt ratios from the HIF initiative could also place pressure on the ratings.

Current Balance Improvement: Positive rating action would require Hamilton to generate sustained high current margins exceeding 25%, and have a debt-to-current revenue ratio of below 200%. The council would need to demonstrate a sustained outperformance in its margins relative to less leveraged peers, which would mitigate its high debt, before positive rating action can be considered.

Analysts

Liu, Lorraine
+852 2263 9929
lorraine.liu@fitchratings.com

Kwok, Samuel
+852 2263 9983
samuel.kwok@fitchratings.com

Rating History

Date	Long-Term Local- Currency IDR
27 Oct 17	AA-
28 Oct 16	AA-
29 Oct 15	AA-
30 Oct 14	AA-
13 Dec 13	AA-
1 Nov 13	AA-
14 Nov 12	AA-
18 Nov 11	AA-
15 Jun 11	AA-
9 Jun 10	AA-

Principal Rating Factors

Summary: Strengths and Weaknesses

	Institutional framework	Debt and other liabilities	Economy	Finances	Management and admin.
Status	Strength	Weakness	Strength	Strength	Strength
Trend	Stable	Stable	Stable	Stable	Stable

Source: Fitch

Overall Strengths

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

Overall Weaknesses

- High debt but good creditor protections

Institutional Framework – No Change from 2016

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

The institutional framework strengths are:

- Substantial disclosure including a full accruals-based balance sheet, income and cash-flow statements. A 10-year rolling long-term plan sets out revenue, expenditure and debt projections, and incorporates a 30-year infrastructure plan. Both plans are updated every three years.
- Control and supervision by government. The minister for local government can undertake a range of actions, from initiating a review of a local authority in difficulty up to dismissing the council and appointing a commission to take control of the authority. Financial statements and plans are audited by the controller and auditor general, whose job is to check how public money is collected and spent.
- Considerable own-source revenue from rates, which represent an average around 60% of total operating revenue for New Zealand local authorities. Rates, although less dynamic, are less susceptible to the economic cycle.
- Manageable responsibilities. Resource-consuming mandates, such as healthcare and education, are provided by the central government.
- Strong protection for creditors: The local authority can charge any assets to secure borrowings, including property rates, via a debenture.

The institutional framework weaknesses are:

- Lack of fiscal equalisation system. There is no scheme where local authorities that are smaller or have weaker economic profiles can receive a benefit. However, this is largely mitigated by strong financial flexibility and the low correlation between revenue and the local socio-economic profile.
- Lack of prudential regulation. There is no prudential regulation scheme that covers areas such as debt and debt-servicing levels. However, there is significant oversight through disclosure of performance against agreed benchmarks and councils have access to a sophisticated Local Government Funding Agency (LGFA).

Related Criteria

International Local and Regional Governments Rating Criteria: Outside the United States (April 2016)

Debt and Other Long-Term Liabilities

Debt

Hamilton's total direct debt increased in FY17 for the first time in four years by 17.9% to NZD429.3 million, but this was still NZD41.1 million below budget as a result of capital deferrals and higher-than-budgeted revenue from development contributions and user charges, subsidies and grants. Direct debt as a percentage of current revenue rose to 205.6% at FYE17 (FYE16: 178.3%), and resulted in a higher payback ratio (direct debt/current balance) of 9.1 years (FYE16: 9.0). However, Hamilton's debt level has improved from FYE13 and FYE14 when the direct debt/current revenue was above 220% with pay-back ratio above 11 years.

Creditors have good protection with debt secured through a debenture trust deed over all rates (excluding NZD18 million of commercial paper). However, rapid economic growth has increased the city's infrastructure requirements and cost of maintenance of the current facilities, and Hamilton expects to maintain relatively high absolute levels of debt over the 10 years to FYE25. Hamilton's Fitch-calculated debt ratios are weaker than some of the council's similarly rated international peers while the expected allocation from the HIF will add to its debt. The debt attribute is assessed as a Weakness.

Hamilton was among five councils allocated funds in-principle from the New Zealand government's NZD1 billion HIF, which aims to assist high-growth councils with infrastructure projects that are important to increase housing supply. Hamilton was allocated NZD272 million in-principle from the fund. The city's latest business case shows that it is seeking NZD308.4 million from the HIF after inflation adjustment. The amount is comprised of two elements – a 10 year interest free loan component of NZD189.1m and a NZTA (New Zealand Transport Agency) subsidy of NZD119.3 million.

Hamilton plans to incorporate this amount into its new 10-year long-term plan as part of the Peacock area growth projects for 2018-2028 that it expects to issue in mid-2018. The government expects to finalise HIF plan by 30 June 2018 and commence the HIF projects from July 2018.

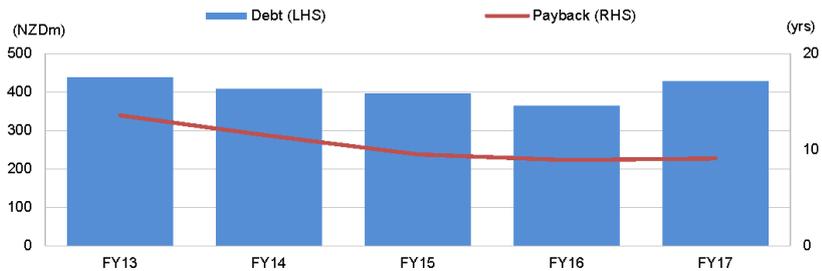
Interest-rate risk is managed to limits set in the council's investment and liability management policy, and Hamilton has adopted a mid- to high-point application within these settings. The council hedges the majority of its floating-rate borrowings, and operates various fixed-rate target ranges for different maturities. At FYE17, 6.5% of Hamilton's debt carried fixed rates; but fixed-rate exposure increased after it hedged 82% of borrowings at end-August 2017. The council can enter into pre-hedging arrangements for future borrowing needs to take advantage of current favourable rates, but the amount of fixed-rate cover must be within policy limits.

Hamilton uses the New Zealand LGFA as its primary source of debt funding, and NZD350 million of debt (66% of the council's total debt) was raised through the LGFA as of end-August 2017. The council has traditionally relied on the major New Zealand banks; however, the LGFA provided better pricing and a longer debt maturity. Hamilton also has NZD60 million in undrawn bank facilities that expire in December 2019 that may be used to support liquidity and act as an emergency funding source. The council also borrows from its Reserves Contribution Fund that supports parks and green spaces to offset its working-capital and debt-funding requirements. It had NZD2.8 million of loans from this fund at FYE17. Hamilton has no foreign-currency debt or investments and, therefore, no foreign-exchange risk. No local councils in New Zealand, except Auckland, can borrow in foreign currency.

Hamilton had NZD1.0 million of current and non-current lease liabilities for plant and equipment. The interest expenses for the leases are included under interest expense. Fitch has classified the leases as "Other Fitch classified debt" in Appendix A, and included them in the council's direct-risk position.

Fitch's debt projections for FYE18 are based upon the council's 2017/18 annual plan, and debt projections for periods beyond FYE18 are based on the 2015-2025 10-year plan. However, some significant decisions, such as further acceleration of capex to support higher growth, could result in direct debt levels that differ from current plans.

Debt and Payback



Source: Hamilton City Council, Fitch calculations

Liquidity

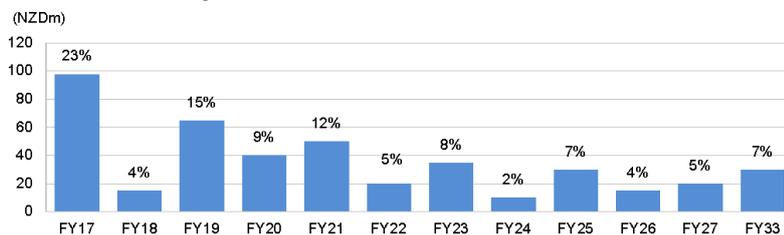
Hamilton's on-balance sheet liquidity has strengthened in recent years due to higher levels of cash (including term deposits), although the council also uses its NZD60 million undrawn committed facility to support its targeted liquidity ratios. Cash and cash equivalents rose to NZD27 million at FYE17 from NZD7 million at FYE16, while term deposits of less than 12 months maturity increased to NZD77 million from NZD42 million a year earlier. The council's cash and term deposits exceeded the debt maturing in the following 12 months by 67%. Cash holdings and term deposits, which are recognised as financial assets, are placed mainly with domestic banks with minimum ratings of 'AA-' on international scales.

Hamilton targets a liquidity ratio in excess of 110%, and defines the ratio as external debt plus committed bank facilities (less commercial paper) plus liquid investments, divided by current external debt. Calculated this way, Hamilton's liquidity ratio was 118% at FYE17 (FYE16 128%). To manage liquidity risk, the council also has the ability to pre-fund up to 18 months of forecast debt requirements, including refinancing.

The LGFA has been able to provide longer debt maturities, and this has strengthened the maturity profile of Hamilton's debt. Fitch calculates the council's average debt maturity was around 4.43 years at FYE17, almost double that at FYE16, with 23% maturing within 12 months (based on contractual cash flows).

Hamilton: Maturity Profile of Outstanding Debt

NZD429.3m of outstanding debt at FYE17



Note: Excludes NZD1m advance funding from the New Zealand Transport Authority in the forecast
Source: Hamilton City Council

Contingent Liabilities

Hamilton is one of 30 local authority shareholders and 13 local authority guarantors of the LGFA. It held uncalled share capital of NZD1.87 million at FYE17. The shareholders and guarantors guarantee all of the LGFA's borrowings, which totalled NZD7.9 billion at FYE17 (FYE16: NZD6.2 billion), but a reliable fair value amount is not recognised. In Fitch's view, an LGFA default on repayments is unlikely.

Hamilton has owned Innovation Waikato Ltd (IWL) since 2012. IWL promotes research, development and commercialisation of products and technologies by entities or individuals. By FYE17, the uncalled capital for IWL was NZD3,000, which is included in the council's contingent liabilities, while IWL's debt at FYE17, which is not guaranteed by the council, was included as net indirect debt of the council in [Appendix A](#).

Hamilton also has minority stakes in various companies, which it owns along with other New Zealand councils (although these are small and require minimal funding). The council has board representatives on all companies in which it holds a majority stake, and must use the cash from any sale to reduce outstanding debt. There were no outstanding loans from the council to these companies at FYE17.

Economy

Hamilton is on New Zealand's North Island, about 130 kilometres south of Auckland. Auckland is the largest urban area in the country, with around 1.6 million inhabitants (around 40% of New Zealand's total population), and Hamilton is New Zealand's fourth-largest city with a population of around 161,200 at end-June 2016.

The unemployment rate in Hamilton was 6.0% by FYE17 (FYE16: 6.6%), but remained about 1pp higher than the national rate due to the large portion of youths in the fast-growing city. Hamilton's population increased 2.8% in 2016, outpacing the national growth rate of 2.1%, helped by net migration of 1,670 people. The city predicts its population will reach 200,000 after 2030. The expanding population, supported by job creation in the city and neighbouring districts, is likely to drive residential housing demand as well as continued economic growth.

Hamilton's GDP increased by a strong 3.3% (New Zealand: 2.8%) to NZD7.7 billion in FY17. The local economy is led by services, including plenty of government activity in science, education and health. Other key economic sectors include manufacturing, construction, logistics, agritech, and technology. The city is a key service hub in a large agricultural (mainly dairy) region.

Hamilton is in the midst of transitioning towards setting rates based on property capital values from land values. The existing 2015-2025 long-term plan targets total rates to remain below 0.627% of the city's rateable capital value. Growth in the number of consents for construction of new residential and non-residential buildings would increase the rateable base for the city.

In FY16, new residential building consents stayed at the same level as FY15 at a 10-year high of 1,198. In 1HFY17, 611 new residential dwellings consents were approved. New commercial and industrial consents amounted to 200,000 sq m in FY16, down 6.5% from a year earlier mainly due to a drop in new consents for commercial space, which had peaked in FY14-FY16. In 1HFY17, 61,000 sq m of new commercial and industrial consents were approved.

Hamilton and the New Zealand government signed an agreement in 2016 to mark out Special Housing Areas to boost the housing construction. The agreements will result in more dwellings and consents issued by Hamilton in the next three years, the council said. A forecast by economic analysis company Infometrics, which Hamilton has adopted, puts the number of dwellings in the council on an uptrend for the next two years to peak at FY19 and FY20.

Finances

The council is revising its financial strategy to cope with the faster-than-expected growth in population and economy, particularly in operating costs, which Hamilton sometimes relies on external borrowings to finance, according to the council's FYE17 annual report.

Actual operating costs exceeded the budget of NZD8.1 million in FYE17 due to additional depreciation from asset revaluations, higher expenditure on asset maintenance and service costs due to higher usage of public assets, and additional staff remuneration costs as the council's full-time staff increased by 3.4%.

Current Revenue

Hamilton derives considerable financial flexibility from its ability to decide how to deploy most of its operating revenue. The largest contributor to operating revenue is rates (general and targeted) – 74% in FY17. The council's 2017/18 Annual Plan and current 2015-2025 long-term plan both target to increase general rates revenue by an average of 3.8% annually until FYE25.

Population growth will help support higher rate revenue, and the 2015-2025 long-term plan has factored in an expected population increase of around 2,000 people annually for a 13% growth over the 10-year period. Rates increases and forward estimates of growth are reviewed every three years when a new long-term plan is produced. The other source of operating revenue, as defined by Fitch, is fees, rents and charges. The council has flexibility in setting these, and aims to raise charges and improve efficiencies to reach its desired operating surpluses.

Current Expenditure

Hamilton had current expenditure of NZD161.5 million in FY17, about 1% less than in FY16, based on Fitch calculations. Of this amount, 87.5% was operating expenses and 12.5% finance costs. Employee costs increased 10.4% in FY17 due to higher demand for public services. Employee costs made up 49% of total operating expenses in FY17, up 4% from FY16. The higher staff costs were offset by decreases in interest costs and current transfers, which slightly reduced the total current expenditure and contributed to the higher current margin in FY17.

Operational efficiencies have been implemented across various expense segments, and management continues to explore cost efficiencies, in particular in the area of shared services. The council is exploring whether combining the management of water infrastructure across three councils would be a viable option.

Its finance costs fell 12.5% to NZD20.1 million in FY17, following the previous year's decline of 8%, as the council continued to reduce funding costs by hedging its floating-rate exposures. Hamilton said its weighted-average funding cost was 5.75% at end-August 2017. This figure is net of interest received on cash investments and including costs associated with debt management and treasury.

Capital Revenue

Hamilton's capital revenue declined by 30% in FY17 due to decreases in development contribution and revenue from vested assets. Capital revenue includes vested land and infrastructure from property development, cash received from non-investment asset sales, development and other financial contributions, and grant income (mainly the capital component of grants from the New Zealand Transport Authority). Asset sales (including investment assets) are discussed in the long-term plan, but are not factored into the long-term forecast, and have enabled Hamilton to reduce its debt balance by more than forecast. Development and other financial contributions were also higher than expected in the past two years. Vested land and infrastructure fell 33.6% in FY17 to NZD22.74 million (8.8% of total revenues) due to more developments being completed in the city.

In mid-2017, the council approved the sale of one of its subsidiaries, Waikato Innovation Park Ltd. The sale was finalised on 15 December 2017 at a price of NZD12.25 million with net proceeds after costs and repayment of debt of approximately NZD 10.0 million. The council has invested NZD4 million in a new council-controlled company Waikato Innovation Growth Ltd, which will support the economic development and business growth activities transferred from Waikato Innovation Park Ltd. There are strict legal criteria relating to the use of the sale proceeds. And the balance of the approximately NZD6 million net sale proceeds are to be applied as partial funding towards the Waikato Regional Theatre project expected to be paid around 2020. These transactions were factored into the council's forecasts for capital revenue and expense for FY18 and FY19.

Capital Expense

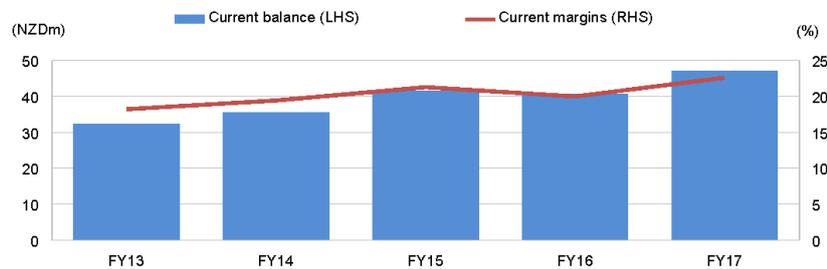
Hamilton's capex reached NZD86.1 million in FY17, which is in line with Fitch's projection. The investments included NZD43.6 million to construct several reservoirs and NZD23.9 million to upgrade roads to cope with increasing growth in the city.

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

Budgetary Performance

Hamilton's current margin (current balance/current revenue) increased 2.72pp to 22.65% in FY17 as a result of higher-than-expected user fees and charges. Fitch expects the current margin to continue increasing over the long term, with financial flexibility supported by a highly predictable revenue stream and firm cost control. The council's strong financial flexibility and proven ability to meet financial targets support our belief that its forecasts are achievable.

Budgetary Performance



Source: Hamilton City Council, Fitch calculations

Management and Administration

Hamilton's elected officials include a mayor and 12 city councillors. Local government elections are held every three years, with the last one in October 2016. Hamilton has a chief executive officer appointed by the council, but whose tenure of five years is longer than the political cycle. Under the current CEO, changes have been made to the management structure to support a well-articulated strategic vision focused on greater efficiencies in the council's operations.

Hamilton, like all councils in New Zealand, is required to produce a 10-year long-term plan that includes a summary of the council's 30-year infrastructure plan. The long-term plan is audited by the New Zealand Auditor General and goes through a public consultation. The council would be required to put any major changes to the long-term plan through another round of public consultation. The council also publishes an annual plan that outlines the budget for the coming financial year. Actual financial performance has recently tracked closely to the budget.

Hamilton is currently working on the 2018-2028 10-year plan, which the council says will include major changes regarding future investment and borrowing that will impact the next fiscal year's annual plan and future budgets. Fitch will review the details of the new 10-year plan, which is due around June 2018, to determine if there will be any rating impact.

The Local Government Act 2002 requires councils to adopt an investment policy and a liability management policy. These provide a public framework under which council must operate and include borrowing and liquidity limits, allowable borrowing mechanisms, investment and counterparty limits, and exposure limits to interest-rate risk.

Appendix A

Hamilton City Council

(NZDm)	Actual		
	30 Jun 15	30 Jun 16	30 Jun 17
Appendix A			
Taxes	126.1	132.5	139.3
Transfers received	5.2	5.0	5.8
Fees, fines and other operating revenue	62.3	64.3	61.6
Operating revenue	193.6	201.8	206.7
Operating expenditure	-130.6	-141.8	-141.4
Operating balance	63.0	60.0	65.3
Financial revenue	2.3	2.4	2.1
Interest expenditure	-23.6	-21.7	-20.1
Current balance	41.7	40.7	47.34
Capital revenue	49.7	68.7	48.1
Capital expenditure	-58.3	-70.7	-86.1
Capital balance	-8.6	-2.0	-38.0
Surplus (deficit) before net financing	33.1	38.7	9.34
New borrowing	35.8	6.0	120.6
Debt repayment	-47.3	-38.4	-55.5
Net debt movement	-11.5	-32.4	65.1
Overall results	21.6	6.3	74.4
Debt			
Short-term	56.0	73.1	113.2
Long-term	340.3	291.0	316.1
Direct debt	396.3	364.1	429.3
+ Other Fitch classified debt - pre-financing	1.1	0.9	1.0
Direct risk	397.4	365.0	430.3
- Cash, liquid deposits, sinking fund	57.3	7.0	27.1
Net direct risk	340.1	358.0	403.2
Guarantees and other contingent liabilities	7.8	2.4	3.7
Net indirect debt (public sector entities exc. gteed amount)	16.0	26.7	24.0
Net overall risk	363.9	387.1	430.9
Memo for direct debt			
% in foreign currency	0.0	0.0	0.0
% issued debt	0.0	0.0	0.0
% fixed interest rate debt	10.1	7.7	6.5

Source: Fitch

Appendix B

Hamilton City Council

Fiscal performance ratios	Actual		
	30 Jun 15	30 Jun 16	30 Jun 17
Appendix B			
Operating balance/operating revenue (%)	32.54	29.73	31.59
Current balance/current revenue ^a (%)	21.29	19.93	22.65
Surplus (deficit) before net financing/total revenue ^b (%)	13.48	14.18	3.62
Overall results/total revenue (%)	8.79	2.31	28.96
Surplus (deficit) before net financing/GDP (%)	0.45	0.5	0.12
Operating revenue growth (annual % change)	6.37	4.24	2.43
Operating expenditure growth (annual % change)	5.07	8.58	-0.28
Current balance growth (annual % change)	16.81	-2.4	16.22
Debt ratios			
Direct debt growth (annual % change)	-2.87	-8.13	17.91
Interest paid/operating revenue (%)	12.19	10.75	9.72
Operating balance/interest paid (x)	2.7	2.8	3.2
Direct debt servicing/current revenue (%)	36.19	29.43	36.21
Direct debt servicing/operating balance (%)	112.54	100.17	115.77
Direct debt/current revenue (%)	202.3	178.31	205.6
Direct risk/current revenue (%)	202.86	178.75	206.08
Direct debt/current balance (yrs)	9.5	8.95	9.08
Direct risk/current balance (yrs)	9.53	8.97	9.1
Net overall risk/current revenue (%)	185.76	189.57	206.37
Direct debt/GDP (%)	5.34	4.7	5.52
Direct debt per capita (local currency)	2,524	2,276	2,667
Revenue ratios			
Operating revenue/budget operating revenue (%)	n.a.	n.a.	n.a.
Tax revenue/operating revenue (%)	65.13	65.66	67.39
Modifiable tax revenue/total tax revenue	100	100	100
Current transfers received/operating revenue (%)	2.69	2.48	2.81
Conditional transfers/total transfers (%)	100	100	100
Operating revenue/total revenue ^b (%)	78.83	73.95	80.46
Total revenue ^a per capita (local currency)	1,564	1,706	1,596
Expenditure ratios			
Operating expenditure/budget operating expenditure (%)	n.a.	n.a.	n.a.
Staff expenditure/operating expenditure (%)	50.46	45.2	49.93
Current transfer made/operating expenditure (%)	1.68	5.01	2.05
Capital expenditure/budget capital expenditure (%)	n.a.	n.a.	n.a.
Capital expenditure/total expenditure (%)	22.44	25.94	28.41
Capital expenditure/local GDP (%)	0.79	0.91	1.11
Total expenditure per capita (local currency)	1,655	1,704	1,883
Capital expenditure financing			
Current balance/capital expenditure (%)	71.53	57.57	54.94
Capital revenue/capital expenditure (%)	85.25	97.17	55.87
Net debt movement/capital expenditure (%)	-19.73	-45.83	75.61

^a Includes financial revenue

^b Excluding new borrowing

Source: Fitch

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Council Report

Item 12

Committee: Audit & Risk Committee

Date: 08 March 2018

Author: Dan Finn

Authoriser: David Bryant

Position: People, Safety & Wellness
Manager

Position: General Manager Corporate

Report Name: Safety and Wellness Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee on the safety and wellness activities and key performance indicators for quarter two 2017/18.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Attachments

Attachment 1 - Safety and Wellness Report - Quarter Two 2017/18



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Notifiable Events

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Health and Safety Report

1 November 2017 to 31 January 2018

Executive Summary

Overview

Our safety performance over this last quarter remains steady and we are tracking below our key performance targets for 2017/2018, which is positive.

In response to our changing environment we have been working closely with managers and employees representing the interests of front teams to develop appropriate resources, information and controls to mitigate the increasing risk that summer temperatures and other weather conditions are having on our people. Other changes to working conditions and how we manage our systems and procedures is also top of mind as we prepare and make changes to support the management of hazardous substances, random drug and alcohol testing effective 1st April 2018 and joint working protocols with Worksafe and other local authorities.

In line with our strategic imperatives we continue to develop and implement the key foundations of our health and safety management framework, supported by a change in approach in how we engage with business units, which is all about the conversation.

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Notifiable Events

During the period between 1 November 2017 to 31 January 2018 there were three notifiable events reported to WorkSafe, internal investigations have been carried out by Hamilton City Council and no incident required further investigation by WorkSafe.

Incident Type	Critical Risk	Incident	Action Taken	Business Unit
Notifiable Injury	Not related to a critical risk.	Workers were loading a new manhole cover at the foundry through the truck side door by hand as a two person lift (75kgs), when lowering lid on to deck one worker still had one finger under the lid resulting in it being crushed causing damage to fingernail leading to minor surgery.	<ul style="list-style-type: none"> Foundry staff to load all manhole covers on to truck by forklift. Refresher training on lifting manhole covers carried out with staff. 	City Delivery
Notifiable Illness	Not related to a critical risk.	City Parks worker at WaterWorld walked into the pools saying that he felt light headed and unwell. Lifeguard brought him in to the air-conditioned team leaders office where he then became unconscious and had a localized seizure (arms) that lasted about 30 seconds. An ambulance was called and he was taken to hospital.	<ul style="list-style-type: none"> New trial PPE clothing (Pants and shirts) that better aid with dealing hot conditions provided. Worker provided with a way to keep water cool while he is carrying out his daily activities outside. Worker temporarily relocated to another role until further health checks completed to ensure no underlying medical reasons that could be contribute to further occurrences. 	City Parks
Notifiable Event	Energy Sources	Worker accidentally hooked the post-rammer attachment on the tractor he was operating to the overhead low voltage power line which crosses the service road. The one power line snapped, live lines were brought down within the Zoo grounds.	<ul style="list-style-type: none"> Line repaired by Well Energy. Signs placed along Access way to warn of overhead lines. High Visibility markers placed on Power lines to provide greater visibility. Power lines to be relocated so they do not cross service road. 	Hamilton Zoo

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Health and Safety Report 1 November 2017 to 31 January 2018

Statistics

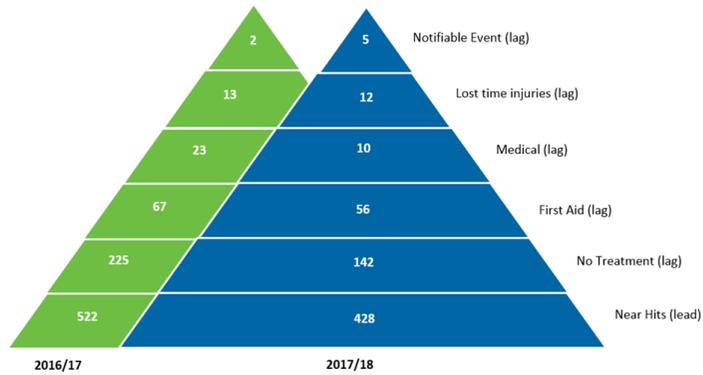


Figure 1: Performance Indicators for events financial year to date

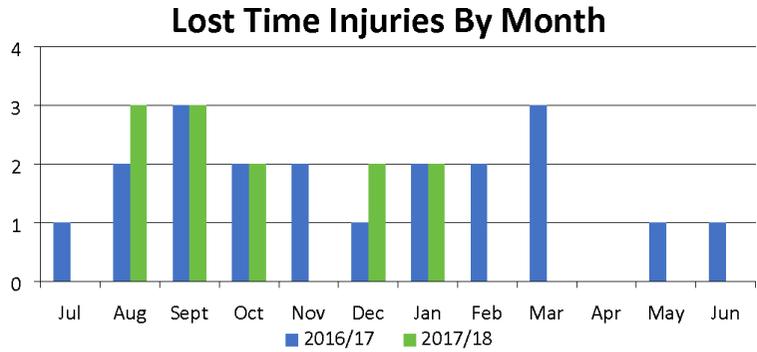


Figure 3: Lost time injury frequency rate

Total Recordable Injury Frequency Rate

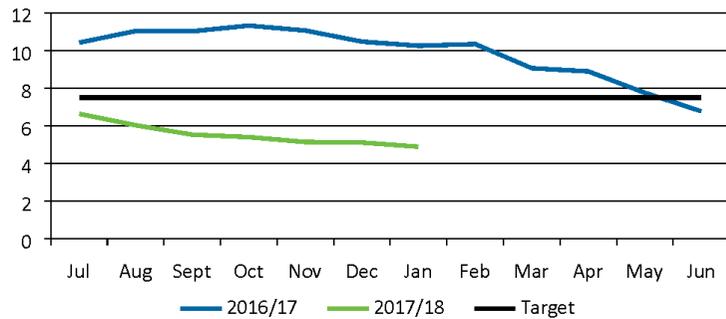


Figure 2: Total recordable injury frequency rate

Lost Time Frequency Rate

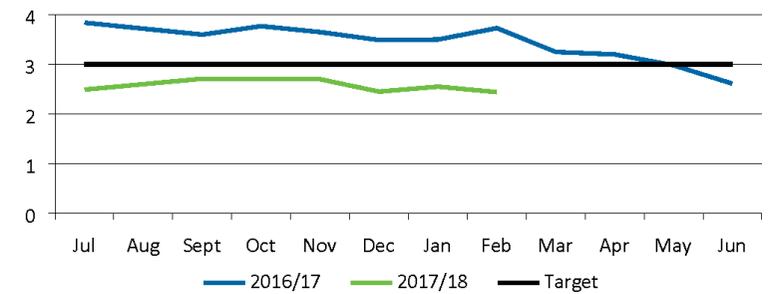


Figure 4: Lost time injuries by month

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Health and Safety Trends

An analysis of events reported in the 1 November 2017 to 31 January 2018 has been carried out for the purposes of tracking the number of incidents in relation to our critical risks. Like the previous quarter the critical risks that featured most prominent in events reported were “driving on the road” and “dealing with aggressive and/or violent people”. No lost time or medical treatment injuries were related to any of our critical risks.

Lost Time Injuries

Between 1 November 2017 and 31 January 2018 there were four lost time injuries, which is a reduction by one compared to the same period last year.

Our Lost Time Injury Frequency Rate (LTIFR) is currently at 2.44, which is below our target of <3.0 for FY2017/18. Improvements are being made to the current injury prevention and management program, which includes the Health and Safety team having a greater involvement throughout the process, working with medical providers and business units in the return to work process.

Hazard	Injury Type	Number of Injuries	Days lost
Manual Handling	Laceration	1	1
Environmental conditions	Illness	1	1
Slips, Trips and falls	Fracture	1	1
Struck by Moving Object	Fracture	1	3

Table 1: Breakdown of Hazards associated to lost time injuries.

Medical Treatment and First Aid

Between 1 November 2017 and 31 January 2018, we have had a total of 6 medical treatment injuries and 23 first aid treatments.

Our current Total Recordable Injury Frequency Rate (TRIFR) is 4.90 which is below the target of <7.5 for the FY2017/18.

Near Hit Reporting

Between 1 November 2017 to 31 January 2018 we have had 162 near hits reported, with 428 year to date. What this tells us is that we are tracking slightly behind our end of year target of >971. We continue to encourage near hit reporting to identify trends and to mitigate the potential for reoccurrence, leading to injuries.

Audits, monitoring and reviews

Between 1 November 2017 and 31 January 2018, we carried out 49 health and safety audits, which were made up of 32 manager audits and 17 worksite and/or contractor site audits.

Team Leaders and Managers across the business have carried out 234 safety observations and 15 workplace inspections, which provides an opportunity to have positive safety conversations and correct unsafe behaviours before an event occurs.

Emerging areas of interest

Working in Hot Conditions.

Due to the hot weather conditions the Safety and Wellness team, together with key business leaders and employees, are working collectively to ensure that appropriate PPE is provided and being used, that equipment is fit for purpose and that relevant information and training is being made available for employees and managers to mitigate the effects of working in hot conditions.

A major component of our response has been the trialling of clothing technology that assists in reducing body temperature during periods of activity.

Health and Safety Report

1 November 2017 to 31 January 2018

Asbestos Liaison Protocol

The Waikato Region Asbestos Liaison Protocol continues to be developed by WorkSafe NZ and other local body councils. We expect a final version to be signed off early May 2018.

External and Legislation

The new regulations for working with hazardous substances took effect from 1 December 2017. The Safety and Wellness team have carried out audits on all of our facilities. There were no major gaps identified but some minor improvements implemented to meet compliance.

Current Best Practise Documents

The Safety and Wellness team continues to work on the development of our Current Best Practise (CBP's) documents which relate to our organisational risks. We are seeking feedback from stakeholders on CBP's that relate to 'Working Alone or in Isolation' and 'Hazardous Substances'. Also in development is a 'Fatigue Management CBP' to support operational areas.

Drug and Alcohol Policy and Testing

Effective from the 1 April 2018 Council will be introducing random testing for those in safety sensitive roles now covered by the updated Drug and Alcohol Policy. Further online awareness training for those workers in safety sensitive roles has been scheduled for February and March 2018 in preparation for this change.

Key Activities

Training and Competency

Following a review of our health and safety training programs, courses for 2018 have been finalised and dates are being set, which we are planning to promote across the organisation.

To coincide with employees returning from leave over January, the City Delivery BU held their annual welcome back day, which included refresher training on confined

space, manual handling and a presentation by an employee of the Infrastructure Alliance Group, who was involved in a serious incident to reinforce the importance of good health and safety practices.

COURSE PROVIDED	NUMBER ATTENDED
Fire Warden	1
ICAM Incident Investigation	2
Peer Support refresher training	17
Health and Safety Representative Training	10

Table 2: Health and Safety training completed 1 November 2017 – 31 January 2018

Health and Wellbeing

Bullying and Harassment Monitoring

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

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

	Peer Support	Informal Reports	Formal Reports
Total for period 1 November 2017 to 1 January 2018	0	0	0

Table 3: Harassment and Bullying

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There have been no peer support reports received between 1 November 2017 and 31 January 2018. No formal or informal reports have been raised or investigated in the last three months.

Due to the above low numbers, we will be promoting and reiterating our support networks to remind our people where to go for help and support.

Peer support refresher training is scheduled to take place in February 2018 and will also include worker stress as a topic following feedback from the peer support network.

Wellbeing Initiatives

In December and January we ran a number of health seminars for employees covering nutrition and exercise. The purpose of these sessions was to raise awareness about the services and facilities offered to employees by Council as well as providing useful information so that individuals can start to self-manage their own health and wellbeing.

Future Focus – 3rd Quarter

As we look towards the 3rd quarter, we will be focussing time and effort on refreshing our return to work programme to better support those who have been injured and the people helping to co-ordinate their return to work, rolling out several more CBPs, conducting a safety survey that is focussed on engagement and continuous improvement, as well as promoting good safety conversations.

In Summary

We are seeing visible signs that our safety performance and culture is improving through the continued reduction in the number of injuries that are being recorded, however greater momentum could be achieved through earlier reporting and better injury management, which we are promoting and wrapping support around.

Lifting our engagement and re-establishing our credibility as a team with our customers is critically important to us. Through better business partnering we are focussed on responding quickly and appropriately on important business matters through expert advice, greater support and tailored initiatives to meet the diverse needs of Council.

Our underlining message, which we continue to reinforce through management and employees is to think safe, work safe and return home safe every day.

To help focus our efforts our strategic imperative are:

- Systems that are fit for purpose and provide timely and accurate data
- Systematically managing our critical risks
- Building safety leadership and capability at all levels of business
- Providing workers with a safe and just culture and promoting the importance of safety conversation

Health and Safety Report

1 November 2017 to 31 January 2018

Appendix One: Previous Quarters Notifiable Events

Incident Type	Critical Risk	Incident	Action Taken	Business Unit
First Aid Injury	Working at Height	During an arena pack out an empty burlap bag used as part of the protection for rigging straps dislodged from the hauling line while a rigging chain was being lowered to the ground. The bag landed on the head of a person who was feeding the chain into its storage case at the time, leading to a first aid injury. The person was wearing all required PPE at the time including rigging helmet.	<ul style="list-style-type: none"> Staff reminded of the importance to remain focused when lowering or raising equipment from height. New process implemented to eliminate the need for the burlap bag. 	H3
Property Damage	Not related to a critical risk.	1 20mm gas service line was damaged while excavating a water mains trench causing the escape of gas. The gas service was marked on the underground services plan.	<ul style="list-style-type: none"> Workers re-trained in using the correct processes when locating underground services. Shovels and hand tools only to be used to reduce the risk of damaging services. 	City Delivery

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Audit and Risk Committee – Open Agenda – 8 March 2018

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