

## Notice of Meeting:

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

**Date:** Tuesday 13 September 2016  
**Time:** 1:30pm  
**Meeting Room:** Committee Room 1  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

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## Audit & Risk Committee OPEN AGENDA

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### Membership

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

**Quorum:** Three Members (including one external appointee)

**Meeting Frequency:** Quarterly

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Mary Birch  
Acting Democracy Manager

**7 September 2016**

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## **Terms of Reference:**

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

## **Special Notes:**

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

## **Power to act:**

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

## **Power to recommend:**

This Committee may make recommendations:

- To Council.
- To the Chief Executive.

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**1 Apologies**

**2 Confirmation of Agenda**

The Committee to confirm the agenda.

**3 Declaration of Interest**

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

**4 Public Forum**

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 6772.

**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** Audit and Risk Committee -  
Open Minutes - 8 June 2016

**Author:** Mary Birch

<b>Status</b>	<i>Open</i>
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### Recommendation

That Committee confirm and adopt as a true and correct record the Open Minutes of the Audit and Risk Committee Meeting held on 8 June 2016.

### 1. Attachments

- Attachment 1 - Audit and Risk Committee - Open Minutes - 8 June 2016

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## Audit & Risk Committee

### OPEN MINUTES

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Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 8 June 2016 at 2:30pm.

#### PRESENT

Chairperson	Mr Paul Connell
Members	Her Worship the Mayor Julie Hardaker Cr Angela O'Leary Cr Rob Pascoe
In Attendance	Richard Briggs – Chief Executive Sean Hickey – General Manager Strategy & Communications Lance Vervoort – General Manager Community Blair Bowcott – Executive Director Special Projects Kelvyn Eglinton – General Manager City Growth Sean Murray – Executive Director H3 & Events Chris Allen – General Manager City Infrastructure Barnaby Pace – Risk Manager Tracey Musty – Financial Controller Tracey Stevenson – Health and Safety Manager Diane Crawford – Senior Communication Advisor Paul Gower - Programme Manager - Growth And Assets,  Andrew Holmes PriceWaterhouseCoopers Yoonyoung Y Lee - PriceWaterhouseCoopers
Democracy Advisor	Mary Birch

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#### 1. Apologies

**Resolved:** (Crs O'Leary/Pascoe)

That the apologies from Her Worship the Mayor (for lateness) and Mr Steele be received and accepted.

## 2. Confirmation of Agenda

The Chair advised that a late item regarding Vibrant Hamilton Trust would be included at the end of the Open section of the meeting.

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

The Committee to confirm the agenda, subject to the inclusion of the late Item – Vibrant Hamilton Trust – Audit of Accounts in the Open Agenda.

## 3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

## 4. Public Forum

Not required.

## 5. Minutes of the Audit and Risk Committee Meeting Open - held on 23 March 2016

**Resolved:** (Crs Pascoe/O'Leary)

That the Committee confirm and adopt as a true and correct record the open Minutes of the Audit and Risk Committee Meeting held on 23 March 2016.

## 6. Audit and Risk Subcommittee - Action List (Open) - 8 June 2016

The Risk Manager confirmed that the majority of residential home insurance policies covered underground infrastructure and that beyond the boundary, was Hamilton City Council's ("HCC") responsibility.

**Resolved:** (Crs O'Leary/Pascoe)

That the Report be received.

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

It was requested that the 30 August 2016 meeting, to consider the draft Audit Report, was to be included in the recommended dates schedule.

**Resolved:** (Mr Connell/Cr O'Leary)

That the report be received.

## 8. Risk and Opportunities Report to 30 April 2016

The Financial Controller introduced this Item, explaining that it was an update of the Report that had been provided to the Finance Committee.

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

That the report be received.

## 9. Organisation Improvement Programme

The Financial Controller and the Risk Manager introduced this Item, taking the report as read. A considerable amount of work had been undertaken to facilitate better tracking of Items. It was noted that the priority had been to close off actions; staff were asked to include an explanation regarding the target date, where appropriate (e.g. it had been determined to align with the Long Term Plan). It was noted that:

- Monthly Reconciliations – Although previously behind, this issue had been addressed.
- Ungerboek - Concerns had been raised regarding the interface of the Ungerboek system, used exclusively by H3, and its interface with AX. Numerous meetings had been held and it was not anticipated that there would be an issue at Year End.
- Legislative Changes – All roles should be aware of any legislative changes in their area of responsibility.
- Risk and Insurance Manager – Andre Chatfield had been recruited and was introduced to the Committee.
- PMO – Natalie Young had been recruited to this role and was introduced to the Committee.
- Conversations had already taken place with the CCOs and that staff would continue to work closely throughout the process to ensure that Council's expectations were fully understood.

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

That:

- a) the report be received, noting that some of the comments are a work in progress; and
- b) ongoing improvements would be introduced into the programme.

Item 12 was taken next, to accommodate staff availability.

## 10. Update on Capitalisation and Asset Management activities

The General Manager – City Infrastructure and Programme Manager - Growth And Assets introduced the report. It was noted that whilst historically there had been challenges, a considerable amount of work had been undertaken in this area. Staff updated the committee on the following:

- The figures included in the report were updated through to the end of May. During May 2016, throughout the organisation, a total of \$30.9 million had been cleared from the Work in Progress (WIP).
- It was anticipated that a large proportion of the remaining \$20 million would be cleared during June 2016.
- Additional resources had been brought in across the organisation, including engineers, project managers and financial assistance from PwC had enabled such progress to have been made over the past three months.
- To ensure that this momentum was maintained, a two day workshop, with the relevant staff from across the organisation, had mapped the current processes and identified where improvements could be made to ensure that capitalisation could occur in a more accurate and timely manner.
- Lean processing techniques had been utilised, with the assistance of a Kaisen facilitator.

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

That the report be received.

Her Worship the Mayor Hardaker joined the meeting (2.55pm) during the discussion on the above Item.

Item 11 was taken next to accommodate staff availability.

## 11. Local Government Risk Agency and Insurance Update

Executive Director Special Projects and the Risk Manager introduced this report. LGNZ and Treasury had proposed a business case for the establishment of the Local Government Risk Agency. Its purpose was to increase risk awareness. Significant changes were being proposed to the 60/40 government disaster recovery fund, with improvements required to probable maximum loss modelling needed to align with this. As a result, insurance cover would need to increase substantially which would be factored into the 2016/17 insurance renewal programme. The requirement to increase cover levels would have budgetary implications, though at this point, the quantum was unknown.

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

That the report be received.

Councillor O’Leary left the meeting (3.25pm) during the above Item and was not present when the matter was voted on.

## 12. Health and Safety Update

The Health and Safety Manager introduced the report and tabled the updated Health and Safety Management System document. She advised that the Waikato LASS Health and Safety Working Party had negotiated a contract to deliver a contractor health and safety pre-qualification system; it was anticipated that this would go live in 2016. New KPIs would be introduced for the Senior Leadership Team and Audit and Risk to align with the new legislation and the Health and Safety Business Leaders Health and Safety Forum.

**Resolved:** (Crs O'Leary/Pascoe)

That the report be received.

Councillor O'Leary re-joined the meeting (3.30pm) during the above Item and was present when the matter was voted on.

## 13. Audit New Zealand Audit Arrangements Letter

The Financial Controller introduced the report. It was confirmed that the report was a formalisation of what had been discussed and agreed with Audit NZ at the previous Audit and Risk Meeting. The fee was the same as last year, as Audit NZ was contracted for a three year period.

Staff and Committee members were comfortable with the timetable detailed in Appendix 2 to the Audit Arrangements letter.

It was requested that the Financial Controller contact Audit New Zealand regarding Appendix 3 to the Audit Arrangements letter, to request a detailed timetable for the additional areas of interest for this year's audit.

**Resolved:** (Mr Connell/Cr O'Leary)

6. That the report be received.

7. That the Audit and Risk Committee recommends to Council that the Mayor signs the Audit Arrangement letter on Council's behalf.

## 14. LGOIMA Process

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

That the report be received.

## 15. PWC - Internal Audit Update

Andrew Holmes, Yoonyoung Y Lee and Nick Meier - PriceWaterhouseCoopers introduced this report. It was noted that a new internal Audit plan would be tabled at the next Audit and Risk Committee meeting in September, once the Committee's input had been captured during the 30 August workshop. Going forward PwC specialists would co-present any reports.

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

That the report be received.

The additional Item – Vibrant Hamilton Trust Letter, as noted in the Confirmation of the Agenda, was taken next.

### Vibrant Hamilton Trust Letter

The Chair tabled a letter that had been received from Thomas Gibbons, Chairperson of the Vibrant Hamilton Trust ("the Trust"). Mr Gibbons sought the Committee's guidance regarding the Trust's breach of their statutory requirement to adopt audited accounts by 30 September each year. Audit NZ was not able to complete the audit within the required timeframes. This was due to GMI, the Trust's fund manager, not being able to provide its audited report on internal controls in a timely manner. The time delay would be an ongoing issue.

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

That:

- a) the letter from the Chair of the Vibrant Hamilton Trust be received; and
- b) the Committee notes that the breach is unavoidable and leaves the matter to the Trustees to make a decision.

## 16. Resolution to Exclude the Public

### Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Minutes of the Audit and Risk Committee Meeting - Public Excluded - 23 March 2016	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. PWC - Internal Audit	)	

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Reports

- C3. Legal Update from  
Tompkins Wake

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

- |          |   |  |
|----------|---|--|
| Item C1. | to enable Council to carry out commercial activities without disadvantage   | Section 7 (2) (h)<br>Section 7 (2) (i) |
| Item C2. | to enable Council to carry out negotiations to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (h)                      |
| Item C3. | to maintain legal professional privilege  | Section 7 (2) (g)                      |

**The Meeting adjourned (3.55pm to 4.05pm) and moved into a Public Excluded session (3.55pm to 5.05pm).**

**The Meeting was declared closed at 5.05pm.**

**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** Audit and Risk Committee -  
Open Action List - 13  
September 2016

**Author:** Mary Birch

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<b>Status</b>	<i>Open</i>
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### Recommendation

That the report be received.

### 1. Attachments

- Attachment 1 - Audit and Risk Committee - Open Action List - 13 September 2016



## AUDIT AND RISK

### Action List - 2013-16

### OPEN

Ref.	GM Responsible	Action	DUE DATE for reporting back	Status (relative to due by date)	Notes
2	CE	SLT to undertake review of revised insurance cover and provide a timeline to the Committee accordingly.	08-Jun-16	Completed	Renewals process is underway with annual insurance renewals currently being processed for November. Initial meeting for Insurance valuations held on the 24th August. A detailed revaluation timeline will be reported to the Audit and Risk Committee meeting on 13 September as part of the Annual Insurance Review Update report.
11	GM Corporate	Staff to report back on outcomes of the Risk Management Workshop	08-Jun-16	Completed	An update will be provided to the 13 September Audit and Risk Committee as part of the Risk Management Report.
13	GM Corporate	Arrange a workshop to facilitate Committee Member input to the internal audit programme	08-Jun-16	Completed	Arranged for 10am to 12pm on Tuesday 13 September 2016 (the same day as the Audit and Risk Committee Meeting).
17	GM Corporate	Gifts and Hospitality Policy - review and update Committee Members	08-Jun-16	In progress	Policy currently under review by Procurement and will be completed by October 2016. Is also noted on Organisational Risk Register.
20	GM Corporate	Organisational Improvement Programme to include an explanation regarding the target date, where appropriate (e.g. it had been determined to align with the Long Term Plan)	13-Sep-16	Completed	Timeframes are determined between the auditor and auditees at the time of the audit and are set as part of the management response. A rationale for the timeframes given could be reflected in the management response for future audit items.
21	GM Corporate	30 August meeting date to be included in the recommended dates schedule	13-Sep-16	Completed	Date included in the recommended date's schedule.



**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

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

**Author:** Jessica Ashworth

<b>Status</b>	<i>Open</i>
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## Recommendation

That the report be received.

### 1. Attachments

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

### 3. Purpose of the report

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

## Signatory

Authoriser	David Bryant, General Manager Corporate
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Updated: 05/09/16

### Audit and Risk Committee Reports - 2016

D-1358919	Audit and Risk Committee Meetings	Informal Audit and Risk Committee Meeting	Non-Audit and Risk Committee Meetings	
		30/09/16	10/03/16	Sept
<b>Presenters</b>	<b>Notes</b>	23/03/16	08/06/16	13/09/16
		TBC NOV		

**Standard Reports**

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

**Annual Report Related**

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

**Internal Audit (PricewaterhouseCoopers)**

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

**External Audit (Audit New Zealand)**

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

**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** Risk Management Report

**Author:** Andre Chatfield

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

## 1. Purpose of the Report

- To provide an update to the Audit and Risk Committee on Council's key material risks following a detailed review.

## 3. Discussion

- The Audit and Risk Committee requested that senior management refresh Council's material risks. The Audit and Risk Committee were engaged in this refresh process.
- A report of the key material risks identified as a result of this review is attached to this report.
- A number of actions are underway lead by the senior management team to mitigate these risks to minimise the likelihood of occurrence.

## Recommendation from Management

That the report be received.

## 7. Attachments

- Attachment 1 - HCC Material Risk Report

## Signatory

Authoriser	David Bryant, General Manager Corporate
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### Material Risks Summary

Rank	Risk Description	Inherent Risk Rating (May 2016)	Residual Risk Rating (May 2016)	Movement Since Previous Report	Target Risk Rating
1	<b>H&amp;S - Staff</b> Failure to create and maintain a safe environment for staff leading to death, serious injury.	Extreme*  Very High	Very High*  Medium		High**  Medium
2	<b>H&amp;S - Community</b> Failure to create and maintain a safe environment for the community leading to death, serious injury.	Extreme*  Very High	Very High*  Medium		High**  Medium
3	<b>Failure of critical assets</b> Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Extreme 	Very High 		High 
4	<b>Inadequate civil defence response</b> 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 		High 
5	<b>Cyber attack</b> 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 		Medium 
6	<b>Reputation of Hamilton</b> Lower than desired reputation of Hamilton contributes to sub-optimal economic and social outcomes for the city and its community.	Very High 	Very High 		Medium 
7	<b>Poor data, analysis and response</b> 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 		Medium 
8	<b>Failure of BCP</b> Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.	Very High 	Medium 		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'.

**Material Risk Heat Map**

**Inherent Risk**

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	H	VH	E	3 E
	Likely	M	H	6 8 H	7 VH	4 E
	Possible	L	M	H	VH	5 VH
	Unlikely	L	M	M	H	VH
	Rare	L	L	L	M	H

**Residual Risk**

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	H	VH	E	E
	Likely	M	H	6 VH	VH	E
	Possible	L	M	H	VH	VH
	Unlikely	L	M	7 8 E	H	3 4 5
	Rare	L	L	L	M	H

**Target Risk**

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	H	VH	E	E
	Likely	M	H	VH	VH	E
	Possible	L	6 M	H	VH	VH
	Unlikely	L	M	5 7 8	3 H	VH
	Rare	L	L	L	M	4 H

\*\* Note: Risk 1 and Risk 2 (which both relate to health and safety) are captured in separate heat maps in the individual risk pages.

Risk Description			Rank
H&S – Staff Failure to create and maintain a safe environment for the community leading to death or a serious hard incident.			1
Risk Owner	David Bryant (GM Corporate)	Category	People

Risk Triggers
<ul style="list-style-type: none"> <li>Inadequate understanding of the scope of HCC's health and safety responsibilities</li> <li>Human error</li> <li>Under investment in infrastructure</li> </ul>

**Inherent Risk**

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H		VH		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"> <li>Health and Safety management program</li> <li>Policy and procedures for all high risk areas</li> </ul>

**Residual Risk**

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

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

(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	Action Owner
<ul style="list-style-type: none"> <li>• Establish a governance framework for the engagement and management of contractors</li> <li>• Enhance the safety behaviours / culture program (take it to the next level of maturity)</li> <li>• 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</li> <li>• Asset Management Planning Centre of Excellence will review Asset Management Plans to ensure sufficient investment to minimise health and safety risks</li> <li>• Enhance understanding of key risk scenarios and commonality of critical controls. Ensure ongoing monitoring of effectiveness of critical controls.</li> </ul>	<p>David Bryant (General Manager Corporate)</p>
<p><b>Target Risk Rating</b>                      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 of a death or serious injury to be 'catastrophic'.</p>	<p>High</p>  <p>Medium</p>

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

Risk Triggers
<ul style="list-style-type: none"> <li>Inadequate understanding of the scope of HCC's health and safety responsibilities</li> <li>Failure in planning or controls</li> <li>Human error / inappropriate behaviours</li> <li>Under investment in infrastructure</li> </ul>

**Inherent Risk**

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	B	VH	A	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"> <li>Health and Safety management program</li> <li>Policy and procedures for all high risk areas</li> </ul>

**Residual Risk**

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

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	Action Owner
<ul style="list-style-type: none"> <li>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</li> <li>Asset Management Planning Centre of Excellence will review Asset Management Plans to ensure sufficient investment to minimise health and safety risks</li> <li>Enhance understanding of key risk scenarios and commonality of critical controls. Ensure ongoing monitoring of effectiveness of critical controls.</li> </ul>	<p>David Bryant (General Manager Corporate)</p>
<p><b>Target Risk Rating</b>                      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'.</p>	<p>High</p>  <p>Medium</p>

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

Risk Triggers					
<ul style="list-style-type: none"> <li>Lack of focus on critical assets</li> <li>Financial constraints</li> <li>Inappropriate asset management maturity level for activity/poor asset management planning discipline</li> <li>Not meeting and maintaining asset management maturity level</li> <li>Governance and executive level decision making</li> </ul>					
Inherent Likelihood	Almost Certain 	Inherent Consequence Drivers	Catastrophic 	Inherent Risk Rating	Extreme 
		Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural			

Existing Controls and Mitigations					
<ul style="list-style-type: none"> <li>Asset management plans prepared and overseen by the GM City Infrastructure to drive consistency</li> <li>Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM City Infrastructure</li> <li>Expert peer reviews of asset management plans with a focus on identification and treatment of critical assets</li> <li>Financial peer reviews of asset management plans' proposed budgets</li> <li>Engagement at governance and executive level on asset management plans</li> </ul>					
Residual Likelihood	Unlikely 	Residual Consequence Drivers	Catastrophic 	Residual Risk Rating	Very High 
		Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural			

Further Actions Required	Action Owner
<ul style="list-style-type: none"> <li>• Identify critical assets providing a critical service</li> <li>• Develop asset condition management strategy</li> <li>• Increase detailed budget planning from 10 year to 15 year period</li> <li>• Complete formal asset management plan in time to inform the 10 year plan process</li> <li>• Engage independent review across all Asset Management Plans focused on critical asset identification</li> <li>• Infrastructure performance measures to enable ongoing monitoring should be reported to the ARC.</li> </ul>	Chris Allen (General Manager City Infrastructure)
<b>Target Risk Rating</b>	High 

<b>Risk Description</b>			<b>Rank</b>
<b>Inadequate civil defence response</b> 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.			4
<b>Risk Owner</b>	Kelvyn Eglinton (GM City Growth)	<b>Category</b>	Disaster Recovery

<b>Risk Triggers</b>					
<ul style="list-style-type: none"> <li>Lack of experience with real life emergency situations</li> <li>Turnover of trained staff</li> </ul>					
<b>Inherent Likelihood</b>	Likely 	<b>Inherent Consequence Driver</b> Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic 	<b>Inherent Risk Rating</b>	Extreme 

<b>Existing Controls and Mitigations</b>					
<ul style="list-style-type: none"> <li>Simulation exercises are conducted every 3 months</li> <li>Program of training staff to civil defence standards</li> <li>Dedicated emergency operations centre</li> <li>Civil Defence Standard Operating Procedures</li> <li>Annual self-assessment of HCC's preparedness for a civil defence emergency</li> <li>Audits from the Ministry of Civil Defence and Emergency Management every 3 years</li> </ul>					
<b>Residual Likelihood</b>	Unlikely 	<b>Residual Consequence Driver</b> Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic 	<b>Residual Risk Rating</b>	Very High 

Further Actions Required	Action Owner
<ul style="list-style-type: none"> <li>• Looking to put in place a long term service relationship with the Group Emergency Management Office (Regional Council) to provide staff to run day to day civil defence obligations. This will provide access to best practice thinking and training for HCC staff to help lift capability</li> <li>• Review and communicate emergency response procedure to lift civil defence awareness through the organisation</li> <li>• Determine feasibility of 'loaning' relevant staff to other districts/councils in times of emergency to build practical experience</li> <li>• Develop succession plan for critical Emergency Management knowledge</li> </ul>	Kelvyn Eglinton (GM City Growth)
<b>Target Risk Rating</b>	High 

<b>Risk Description</b>			<b>Rank</b>
<b>Cyber attack</b> 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.			5
<b>Risk Owner</b>	David Bryant (GM Corporate)	<b>Category</b>	Technology/ Information/ Data Management

<b>Risk Triggers</b>					
<ul style="list-style-type: none"> <li>Inadequate IT security environment</li> <li>Staff not following IT security procedures</li> </ul>					
<b>Inherent Likelihood</b>	Possible 	<b>Inherent Consequence Driver</b> Information Management/ Information Technology, Service Delivery, Safety & Wellbeing	Catastrophic 	<b>Inherent Risk Rating</b>	Very High 

<b>Existing Controls and Mitigations</b>					
<ul style="list-style-type: none"> <li>Technical expertise at HCC</li> <li>Data and system back ups</li> <li>Technical support from key vendors - Microsoft and Fujitsu</li> <li>IT Security and Information Management Policies and Procedures subject to scheduled internal review and internal audit</li> <li>External security audit and review</li> <li>Ability to log in and monitor the water system remotely</li> </ul>					
<b>Residual Likelihood</b>	Unlikely 	<b>Residual Consequence Driver</b> Information Management/ Information Technology, Service Delivery, Safety & Wellbeing	Catastrophic 	<b>Residual Risk Rating</b>	Very High 

Further Actions Required	Action Owner
<ul style="list-style-type: none"> <li>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 ongoing monitoring of effectiveness of critical controls.</li> <li>Develop and implement procedures for monitoring unusual network activity.</li> </ul>	David Bryant (General Manager Corporate)
<b>Target Risk Rating</b>	Medium 

Risk Description		Rank
<b>Reputation of Hamilton</b> Lower than desired reputation of the Hamilton contributes to sub-optimal economic and social outcomes for the city and its community.  National reputation of Hamilton can mean: <ul style="list-style-type: none"> <li>• Lack of investment in the city (e.g. Business decides to set up head office in Tauranga rather than Hamilton).</li> <li>• People don't want to move to Hamilton.</li> <li>• Hamiltonians don't feel proud of the place they live in.</li> </ul>		6
<b>Risk Owner</b>	Sean Hickey (GM Strategy & Communications)	<b>Category</b> Reputation

Risk Triggers					
<ul style="list-style-type: none"> <li>• Low awareness of positive changes in Hamilton City.</li> <li>• Low awareness of Hamilton's potential role in national growth story.</li> <li>• Events that result in negative media attention.</li> </ul>					
<b>Inherent Likelihood</b>	Likely 	<b>Inherent Consequence Drivers</b> Social & Cultural	Serious 	<b>Inherent Risk Rating</b>	Very High 

Existing Controls and Mitigations					
<ul style="list-style-type: none"> <li>• Mayor has a good national media profile.</li> <li>• Communications Plan (primarily Waikato focussed).</li> <li>• Good relationships with some individual stakeholders/influencers.</li> </ul>					
<b>Residual Likelihood</b>	Likely 	<b>Residual Consequence Drivers</b>	Serious 	<b>Residual Risk Rating</b>	Very High 

Further Actions Required	Action Owner
<ul style="list-style-type: none"> <li>• Develop a communications strategy which addresses the national perception. It needs to articulate how we want Hamilton to be perceived nationally and a plan for how we go about affecting that.</li> </ul>	Sean Hickey (General Manager Strategy & Communications)
<ul style="list-style-type: none"> <li>• Develop and communicate the role Hamilton can play as an economic enabler of the "national growth story" and a solution to Auckland housing issues.</li> </ul>	Kelvyn Eglinton (General Manager City Growth)
<ul style="list-style-type: none"> <li>• Develop a Stakeholder relationship strategy and management plan to segment and manage key customers and stakeholders.</li> </ul>	Kelvyn Eglinton (General Manager City Growth)
<b>Target Risk Rating</b>	Medium 

<b>Risk Description</b>		<b>Rank</b>	
<b>Poor data, analysis and response</b> 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.		7	
<b>Risk Owner</b>	Kelvyn Eglinton (GM City Growth)	<b>Category</b>	Strategic

<b>Risk Triggers</b>					
<ul style="list-style-type: none"> <li>Inadequate modelling and scenario planning</li> <li>Inadequate data inputs</li> <li>Poor cross-organisational sharing of data</li> <li>Inadequate access to analytical skills</li> </ul>					
<b>Inherent Likelihood</b>	Likely 	<b>Inherent Consequence Driver</b> Social, Cultural and Environment	Major 	<b>Inherent Risk Rating</b>	Very High 

<b>Existing Controls and Mitigations</b>					
<ul style="list-style-type: none"> <li>Hamilton Plan is developed by the Senior Leadership Team and approved by the Council</li> <li>Council Long Term Plan is developed by the Senior Leadership Team and approved by the Council every 3 years and reviewed and audited annually</li> <li>District plan renewed every 10 years and undergoes a rigorous consultation and appeal process</li> <li>Future proof growth modelling around sub-regional plans are reviewed by the Executive Director Special Projects</li> <li>Growth forecasts and modelling around developer contributions reviewed by General Manager City Growth</li> <li>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</li> <li>Expert peer review of asset management plans</li> <li>Use of centralised trusted data sources and access appropriately qualified data</li> </ul>					
<b>Residual Likelihood</b>	Unlikely 	<b>Residual Consequence Driver</b> Social, Cultural and Environment	Serious 	<b>Residual Risk Rating</b>	Medium 

Further Actions Required	Action Owner
<ul style="list-style-type: none"> <li>• Establish a process of rigorous modelling and scenario planning</li> <li>• Establish a suite of relevant, trusted data sources</li> </ul>	Kelvyn Eglinton (General Manager City Growth)
<b>Target Risk Rating</b>	Medium 

Risk Description			Rank
<b>Failure of BCP</b> Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.			8
Risk Owner	David Bryant (GM Corporate)	Category	Disaster Recovery/ Business Continuity

Risk Triggers					
<ul style="list-style-type: none"> <li>Business Continuity Plans are not communicated effectively</li> <li>Untested Business Continuity Plans</li> <li>Business Continuity Plans haven't contemplated all the scenarios</li> <li>Business Continuity Plan solutions are inadequate</li> <li>Business Continuity Plans are not up to date</li> <li>Business Continuity Plans don't cover off all critical areas of the business</li> </ul>					
Inherent Likelihood	Likely 	Inherent Consequence Driver	Serious 	Inherent Risk Rating	Very High 

Existing Controls and Mitigations					
<ul style="list-style-type: none"> <li>Business Continuity Plans in place for all critical activities</li> <li>Business Continuity Plans are reviewed annually by Risk Manager</li> <li>Business Continuity Plans are reviewed as part of asset management planning</li> <li>Business Continuity Plans are reviewed on an ad hoc basis by Internal Audit</li> </ul>					
Residual Likelihood	Unlikely 	Residual Consequence Driver	Serious 	Residual Risk Rating	Medium 

Further Actions Required	Action Owner
<ul style="list-style-type: none"> <li>Improve visibility and ownership of Business Continuity Plans at the Senior Leadership Team level</li> <li>Review Business Continuity Plan testing plans</li> </ul>	David Bryant (General Manager Corporate)
Target Risk Rating	Medium 

**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** Organisation Improvement  
Programme Report

**Author:** Barnaby Pace

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

## 1. Purpose of the Report

- To provide an update on the status of the Council's Organisation Improvement Programme as at June 2016.

## Recommendation from Management

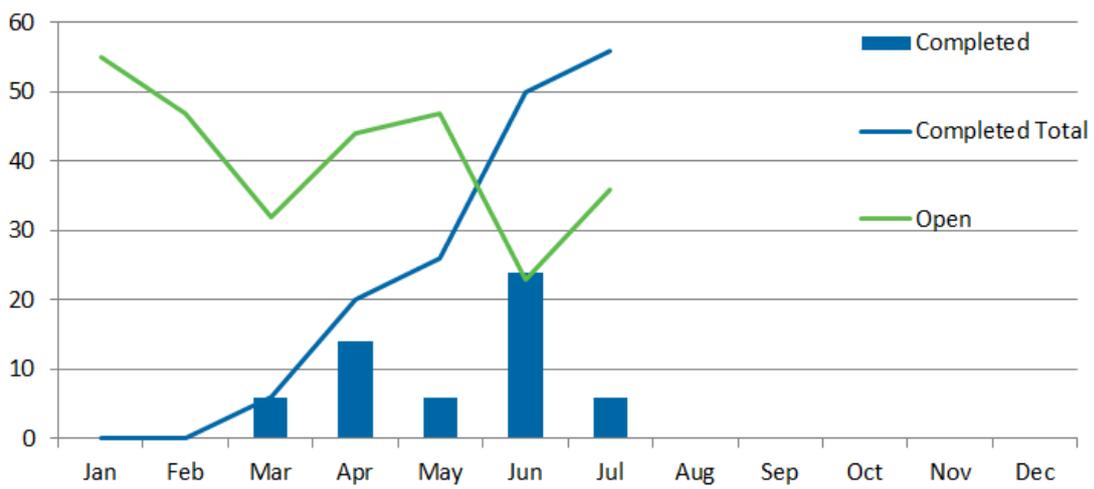
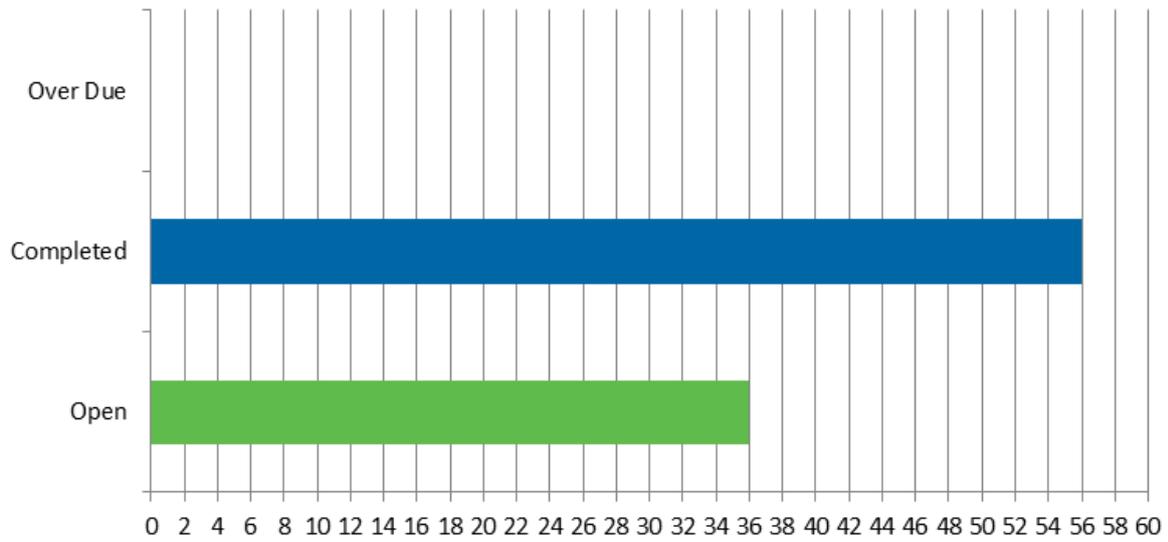
That the report be received

## 3. Attachments

- Attachment 1 - Org Improvement Register Q4 2016

## 5. Discussion

- 30 items have been closed and 13 new items added since the last reporting period.
- Process for Signoff and Closure of items has been discussed and approved with Audit NZ and PWC.
- There were no overdue items for this reporting period.



**Signatory**

Authoriser	David Bryant, General Manager Corporate
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Organisational Improvement Programme Register: Database (Open Items)													
Int Ref	Audit Information						Risk Assessment		Improvement Action Plan				
No.	Status (O,C)	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Flag	Action to be Taken	Owner	Target Completing Date	GM	Signed Off
198	O	Project Management Framework	No project portfolio management framework is in place.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #1 page 6	Management acknowledge that a portfolio management approach to HCC projects is the preferred and ideal environment in which to manage the organisation's projects. Business planning and project prioritisation are current activities that are acknowledged as under resourced - recruitment has just been successful for the appointment of a business planning specialist who will contribute significantly to this area of the business. However this may not occur for another 12-18 months. A simple prioritisation tool has been developed (Business Improvement Unit/PMO combined effort) and accepted by SLT. The business planning framework (as part of the Business Improvement Unit - Organisational Development Group) is seen as a key contributor to assisting the organisation to establish greater visibility of project activities. Agreement is in place with SLT that activities would be reviewed in 3 month time periods. The Business Planning role (appointed in May 2014) will be seeking to address this matter and will continue to work closely with PMO on this.	High		Portfolio Mgmt Framework - Under action - PMO will be actively working with Business Improvement (specifically Tania Hermann and Tracey Hancock) as a follow on to the Organisational business planning exercise to identify where progress can be made. Must be mindful of change "impact on the business" and ensure decisions on steps for change are pragmatic and minimise impact as possible. Portfolio Owner - Under action in relation to work being undertaken between Bi and PMO - Prioritisation component Under action - SLT have identified 21 priority pieces of work for the 2014/15 year - on going work to continue to address prioritisation is part of the business planning process and will be actively managed through the new resource (Tracey Hancock) Update comment 30.06.16 Currently being review by the newly appointed PMO	PMO Manager	30/09/16	GM Corporate	
199	O	Project Management Framework	Maturity of PM practice requires improvement.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #2 page 7	The approach taken to date has been to provide a PMO that is "enabling" not "controlling". This has been intentional with the PMO designed to address HCC's needs in an incremental way. Management acknowledge that a more directive line is likely to have achieved a faster result, in terms of engagement with and of the PMO. However a directive approach was considered to require a greater level of staffing than the current PMO was able to provide. Inability to meet demand created by a directive approach in addition to the added burden on the organisation this approach would create were considered significant risks to the PMO's ongoing success. The PM Policy can be revisited in light of the recommendation to provide direction on engagement with the PMO and can be updated to include a single project lifecycle. This can be completed within the first quarter 2014/15. Since the commencement of this assessment process 52 staff have completed all three project management modules and a community of practice has been established. It is envisaged that this will enable a monthly forum for PMs to meet on an ongoing basis. The primary objective is to continue to develop HCC's PM capability and continue to strengthen the PMO's visibility and positive working relationship across the organisation. It is intended that the PM in house training courses will continue. HCC has engaged a provider who is also delivering equivalent PM training to Waikato Regional Council and Western BOP. Discussions between the arranging staff at the Council has been on the basis of enabling cross over to enable training sessions to be filled, as going forward the demand will be seen with more and more people having been captured. Training is actively promoted via intranet and direct with GMs and staff eligible to undertake the next module HR has been requested to support PM training further with ensuring new staff receive information concerning PM practices and training opportunities at HCC. Buddyding will be possible once all staff who have completed the training are in a position of being confident with their new skills and have had experience and success with applying them. The PMO currently provides a buddyding service through the PMO manager - with the increasing maturity of project management and improved capacity with staff completing the 3 training modules and successfully implementing projects more staff will be available to participate in this process and provide buddyding to new PMs. Ideally all UMs should undertake Module 1 - however the practicality of ensuring attendance when workloads are as significant as they are will continue to be a barrier. Ongoing visibility of the training is planned by PMO and active	High		Monthly meetings - Actioned and ongoing - with commencement of community PMO Mana of practice meetings - held monthly and coordinated by PMO Update comment 30.06.16 Currently being review by the newly appointed PMO	PMO Mana	30/09/16	GM Corporate	
205	O	Project Management Framework	Sub-optimal PM systems and tools.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #8 page 13	Current tools and systems support the current reporting framework. Management agree that an extension beyond the existing reporting structure will require additional investment in technology and resources for the PMO to provide additional services. There are currently no plans to extend either. MS Project is available to all staff on the citrix network - it is unlikely to be changed because this is currently the most cost effective way of managing licensing costs. Agreement on the what tools will most effectively support HCC PMs is required ahead of investment in this area. This discussion will be ongoing and held in conjunction with the Business Improvement Unit as business planning changes are implemented over the next 12-18 months.	High		Systems and tools - No activity currently planned - activity highlighted above on reporting and in conjunction with BI will determine outcomes in this area. MS Project - as indicated in management response - No change in current practice is envisaged. PM and organisational reporting tool is under development and anticipated for release early 2nd quarter. Update comment 30.06.16 Currently being review by the newly appointed PMO	PMO Mana	30/09/16	GM Corporate	
106	O	Event Management	There is a lack of formal review of event planning to ensure that appropriate services are provided to clients.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #3, Page 12	Management are currently in the process of developing an Event Order confirmation report within EBMS. This report will detail all services and requests that the client has made and will be required to be signed off by the client and event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. This report is due for release in 11 June 2013. We agree with all the other recommendations detailed in the outcome of the review and will be putting together a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes.	Moderate		Management have developed an Event Order confirmation report within Ungerboeck. This report details all services and requests that the client has made and is required to be signed off by the client and the event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. Management agrees with all of the other recommendations detailed in the outcomes of the review and has put in place a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes. Update - 9/5/16 This will be addressed as part of H3's Quotes, EOC & Invoice Project and processes are to be developed to resolve the audit recommendations by December 2016. This project has been pushed back due to resourcing.	GM Events & Economic Development	01/12/16	GM HB & Events	

195	O	Development Contribution Processes and Controls	Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed for authority.	PwC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727	Finding #2, page 8	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spreadsheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	Moderate	Flag	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions. Updated comment 30.06.16 PwC have conducted a review of the Development contribution Model and found it fit for purpose, D-1840884	Chief Financial Officer	01/09/16	GM City Growth
196	O	Development Contribution Processes and Controls	Evidence of the compilation of "base charges" by catchment has not been retained.	PwC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727	Finding #5, page 16	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spreadsheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	Moderate	Flag	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions. Update - 17.06.16 The CD team is currently working on a business case to address this issue. This expected completion of the business case is end of August. Updated comment 30.06.16 PwC have conducted a review of the Development contribution Model and found it fit for purpose, D-1840884	DC Team	01/09/16	GM City Growth
110	O	Event Management	There is no formalised and independent review performed to ensure operational event management procedures are followed.	PwC Internal Audit Event Management Review 10 Jun 13	Finding #7, Page 17	As part of the overall upgrade, programme management will initiate a project to facilitate the report recommendations. Where possible we will automate the processes within EBMS. The internal event audit process is still to be developed and expected to be complete by the end of the year.	Low		Management will address this issue as part of the overall upgrade programme of EBMS with core HCC finance systems Update - 9/5/16 This will be addressed as part of H3's Quotes, EOC & Invoice Project and processes are to be developed to resolve the audit recommendations by December 2016 This project has been pushed back due to resourcing.	GM Events & Economic Development	01/12/16	GM HB & Events
243	O	Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444)	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Low		Improvements identified by AECOM are incorporated in the Water, Wastewater, Stormwater and SolidWaste AMP's for 2015-45. In addition the draft 2-15-25 LTP has budget allocation in opex to enable further improvements in the quality of information. Improvements to Pump Station assets have been completed, and planning to commence a 2 to 4 year improvement programme for treatment plants is underway. Follow Up comment 19.05.16 An organisational improvement plan is in place to address the quality of asset information in the Water, Wastewater and Refuse area. Council are focusing resourcing on addressing the issue. This issue will take the Council a while to address.	Water's Manager	01/01/16	GM City Infrastructure
305	O	Property, plant and equipment	Capitalise completed projects timely in the fixed asset register	Audit NZ Management Report, March 2016	P3	Staff agree, the amount of WIP which should have been capitalised is high. We also note that the misalignment does not result in a material misstatement. Business processes are being improved. This includes the establishment of a Capital Monitoring Group lead by the Corporate Services Manager to ensure delivery of the asset programme and its capitalisation. Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in WIP or business processes to improve organisational performance around capitalisation of assets and capitalisation.	High		Follow Up Comment 18.05.16 An asset management organisational improvement plan has been put in place to address this issue. The work in progress balances are being monitored monthly with reports provided to staff (through the asset management intranet portal) and Senior Leadership Team. During our interim visit, we noted there is still a number of assets that need to be capitalised and the WIP balance is still very high. This should be completed by 30 June 2016.	Financial Controller	30/06/16	GM Corporate
306	O	Property, plant and equipment	Asset Managers provide timely information to finance staff to ensure vested assets are capitalised in a timely manner	Audit NZ Management Report, March 2016	P3	Staff agree, the amount of non-capitalised vested assets on the WIP schedule is high. We also note that the misalignment does not result in a material misstatement as the non-capitalised vested assets were land which is not depreciated. Business processes are being developed. Part of this process development and implementation is to ensure vested asset information is obtained from asset managers to enable capitalisation in a timely manner. Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in capitalisation of vested assets.	High		Follow Up Comment 18.05.16 An asset management organisational improvement plan has been put in place to address this issue. During our first interim visit, we identified that there vested asset WIP balance was \$26.8m. There still appears to be an issue around timely capitalisation. However, we understand that this is a focus for the Council and we expect to see a significant reduction before 30 June 2016. Additional staff resources are being employed to help with the backlog of assets not being capitalised.	Centre for Excellence Manager	30/06/16	GM Corporate
307	O	Property, plant and equipment	Ensure disposal and additions in the asset management systems are reconciled to the financial system on a monthly basis and also formalise the process around disposals and capitalisations	Audit NZ Management Report, March 2016	P3	Staff agree, Hansen 8 was only partially operations for parks assets in 2014/2015. From 1 July 2015 Hansen 8 is being used by Parks and Open Spaces and Hamilton Gardens. Three waters reticulation assets will be operation in HB by the end of December. Reconciliations between HB and AX financial are being prepared monthly from July 2015. AS we are developing new systems policy and procedures need to be documented. We have identified that with the changes in responsibilities for the management of asset information there is a need for more training and development of formal policies.	High		Follow Up Comment 18.05.16 An asset management organisational improvement plan has been put in place to address this issue. Currently, monthly reconciliations between the asset management systems and the finance systems are not being performed. Further work is required to ensure that the systems are generating data that can be reconciled easily on a frequent basis so this process is not time consuming and difficult.	Financial Controller	30/06/17	GM Corporate
308	O	Property, plant and equipment	Ensure all parks, gardens and building assets are added to the Hansen 8 system so information is all contained within one asset management system	Audit NZ Management Report, March 2016	P3	Staff agree, Council is in the development stage of implementing new systems and plan to have all out parks, gardens and building assets data held in Hansen 8. Council has initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in appropriate systems.	Low		Follow Up comment 18.05.16 Zoo animal enclosures have been added to Hansen 8. There are still some parks and garden assets that are being maintained on manual spreadsheets. Staff need to be provided training on how to use the Hansen 8 system prior to transferring the remaining asset data over. Until this is completed, staff will continue to records asset data using the current systems. Improvement in quality and completeness of asset data remains a focus for the Council.	N/O	30/06/17	GM Community
309	O	Statement of Service Performance	Adopt appropriate processes to ensure that the data within the Hansen 8 system is accurate and can be relied upon for reporting purposes	Audit NZ Management Report, March 2016	P3	Staff agree, To achieve this we will implement a business process to review and audit service performance data within Hansen to provide evidence of data reliance.	High			N/O	30/06/17	GM Strategy & Communications

315	O	Other less significant matters	An internal review performed over H3's revenue and expenditure systems to ensure adequate controls are in place	Audit NZ Management Report, March 2016	P4	Staff agree and the newly appointed H3 finance Manger will be address the matters as follows: An integratiry 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.	Moderate	Follow Up comment 18.05.16 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. We have noted that for refunds a formal form is now required to be completed and authorised prior to payment. From our review of the expenditure system at H3, we have identified a creditor master file 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. 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.	N/O	30/06/17	GM H3 R Events
316	O	Other less significant matters	Review of H3's year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period	Audit NZ Management Report, March 2016	P4	The recording of revenue is configured in the invoicing and payment plans which are linked to contracts, through the Ungerboeck system. H3 Group will review at each major period Event bookings and, where material, will accrue the appropriate revenue (and any associated costs), in the appropriate period. This will form part of the half year and year end processes.	Moderate	Follow Up comment 18.05.16 H3 intend to perform their own year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period. We will check this during our final audit visit.	N/O	30/06/17	GM H3 R Events
317	O	IT Controls	Refine the process for adding, amending and removing user's network access	Audit NZ Management Report, March 2016	P4	The on-boarding and off-boarding process generally works well. This particular example falls outside the norm. An audit has been completed to ensure no other anomalies. Council is investing in further automation to reduce the possibility of this happening again.	Moderate	Follow up comment 19.05.16 We noted that the process for adding and removing users is still not always being followed correctly. We were unable to confirm that access had been removed promptly when two Group Managers left this year. Another fixed term person had not had her access removed due to IT not being notified.	C/O	30/06/17	GM Corporate
319	O	General ledger reconciliations	From our review of monthly reconciliations, we identified the following: • The suspense accounts were not always prepared or when they were prepared they were not always dated so we could evidence the timeliness of the review. The suspense accounts are being completed over the Downer progress payments and claims process. We recommended the City Council ensure the independent audit includes a review of the Downer's performance information	Audit NZ Fact Sheet HCC Interim April 2016	P15	Based on our review of the suspense account reconciliations, we have identified that these were either not prepared in a timely manner or not reviewed independently. We noted the December 2015 reconciliation had not been prepared until February 2016 and was not independently reviewed. The February 2016 was not independently reviewed until April 2016.  The fixed asset reconciliations were only prepared for November 2015 and March 2016. These reconciliation had		Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	Financial Controller	30/07/16	GM Corporate
324	O	Transportation Measure	We continue to note the City Council has a long outstanding payable to Ministry of Transport for traffic infringements payable to the Ministry that were collected from the public by the Council. The amount that has been accrued is \$1.25 million. Included in this, is an amount of \$1.1 million which relates to periods between 2006 and 2010.	Audit NZ Fact Sheet HCC Interim April 2016	P21	We will follow up a year-end whether a review over Downer performance information systems has been completed.		Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/O	30/06/17	GM City Infrastructure
326	O	Ministry of Transport Accrual	We continue to note the City Council has a long outstanding payable to Ministry of Transport for traffic infringements payable to the Ministry that were collected from the public by the Council. The amount that has been accrued is \$1.25 million. Included in this, is an amount of \$1.1 million which relates to periods between 2006 and 2010.	Audit NZ Fact Sheet HCC Interim April 2016	P23	We will follow up a year-end whether a review over the transport accrual has been completed.		Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/O	30/06/17	GM City Infrastructure
328	O	IT Issue - Dynamics AX user profiles	We noted during our review of Dynamics AX financial system user access that there were staff who had been assigned incorrect profiles in the system and staff who had left but not removed. We also noted that staff are disabled in the system but not removed when they leave the council, and that the workflow which manages delegated authority approvals is not working correctly because staff changes have not been updated in the workflow system. We discussed these with the Procurement Manager and corrections have now been made to the profiles. We understand that staff are working to correct the workflow for delegated authorities.  Improvements need to be made to procedures for adding and removing users and managing changes to the structure chart and workflow for delegated authorities in Dynamics AX. Given the amount of change that council has undergone recently, a full review of all roles should be performed in Dynamics AX and Authority.	Audit NZ Fact Sheet HCC Interim April 2016	P25			Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/O	30/06/17	GM Corporate

329	O	IT Issue - No Organisational Business Continuity Plan or IT Disaster Recovery Plan	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.  We continue to recommend that Council prioritise 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. The monthly Fujitsu report contains	Audit NZ Fact Sheet HCC Interim April 2016	P28	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. We continue to recommend that council develops and tests organisational business continuity and IT disaster recovery plans.		Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/O	30/06/17	GM Corporate
330	O	IT Issue - Recording of IT assets and their Antivirus status	inconsistencies in numbers of IT assets owned by council, raising the risk that not all IT devices are being updated with Anti-Virus software and may not be patched on a regular basis. Fujitsu have acknowledged this and are working on a project to improve asset recording and reporting. This is part of the project to move to Desktop as a Service	Audit NZ Fact Sheet HCC Interim April 2016	P29			Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/O	30/06/17	GM Corporate
331	O	IT Issue - Regular patching of councils desktops	The monthly Fujitsu report contains inconsistencies in numbers of IT assets owned by council, raising the risk that not all IT devices are being updated with Anti-Virus software and may not be patched on a regular basis. Fujitsu have acknowledged this and are working on a project to improve asset recording and reporting. This is part of the project to move to Desktop as a Service. Priority should continue to be given to ensuring all councils desktops are recorded, managed and updated with Anti Virus updates and patches.	Audit NZ Fact Sheet HCC Interim April 2016	P30			Follow up comment 30.06.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/O	30/06/17	GM Corporate
337	O	Creditor masterfile change report	The creditor masterfile change report to be updated to include the nature of changes so that it can be reviewed for reasonableness. All new supplier changes and bank account changes independently reviewed against supporting documentation.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D		GM Corporate
338	O	Creditor masterfile change made without prior approval	New supplier forms approved by the procurement manager prior to a change made in the system.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D		GM Corporate
339	O	Adoption of legislative compliance policy	The Legislative Compliance Policy formally approved by Council and made available to staff throughout the organisation.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D		GM Corporate
340	O	Review of legislative compliance responsibility	In view of the recent changes in organisational structure and appointment of new key personnel, Council to consider a review of legislative requirements applicable to Hamilton City Council and consider ways to ensure that staff are aware, and take ownership, of responsibilities applicable to them.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D		GM Corporate
341	O	Dynamics AX user profiles	Improvements made to the internal control procedures for adding and removing users, and implement procedures to manage changes to delegated authorities in the AX Dynamics system.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D		GM Corporate

342	Recording of IT assets and their antivirus status	Priority given to ensure that all Council's desktops are recorded, managed and updated with anti-virus updates.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016.	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D	GM Corporate
343	Regular patching of City Council's desktops	Monthly patching of desktops reinstated to ensure improved security to the City Council information.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016.	P3		Moderate	Follow up comment 05.07.16 Management is current in the process of reviewing interim action items and formulating actions for the next Audit NZ update report.	N/D	GM Corporate
344	A strategy for the management of strategic lease properties should be developed and	A strategy document ("Operational Property Plan for Hamilton City Council") was drafted in March 2011. This document included objectives for property management activities and a strategy for achieving these objectives. However it was not presented to Council or approved.	PWC Internal Audit Strategic Lease Property Process Assessment	P6	Management should refresh the strategy document and clearly define the strategic objectives and the strategy to be followed for property management activities, including disposal and future property acquisition. Once developed, the strategy should be submitted to Council for approval and implemented. The strategic objectives defined for the SPU should align to the strategy and long term goals of the Council. Examples of strategies that could be employed include: 1. Maintenance of a passive property portfolio – with a target return on investment of around 9-12% (unlevered)	High	A Strategic Plan for the management of Council's property will be developed and submitted to Council for approval.	Strategic Property Unit Manager	30/11/16 GM Strategy & Communications
345	Property performance should be monitored at an individual property level, on a regular and ongoing basis	There is limited formalised monitoring and reporting of property performance at an individual property level. We acknowledge that overall business unit performance is reported regularly. The strategic lease property portfolio is also reviewed by the SPU every three years as a part of the process of developing and updating the council's 10 Year Plan. During this review, individual properties are assessed to determine if they should be sold or retained a part of the Council's property portfolio.	PWC Internal Audit Strategic Lease Property Process Assessment	P7	Management should implement periodic reporting on property performance at individual property level. Performance report(s) should be reviewed on a regular basis to assess where individual properties are not performing to expectation. This assessment should inform decisions to divest or invest further capital (i.e. through renovations) to improve the property's yield or overall ability to achieve its set targets. To facilitate the objective review of property performance, management should consider implementing and measuring performance against defined KPIs.	Moderate	Individual property performance metrics will be developed together with a regular review schedule in conjunction with the development of an overall property strategy.	Strategic Property Unit Manager	30/11/16 GM Strategy & Communications
346	The SPU should be further enabled to undertake commercial and decisive negotiations with regards to the purchase, sale and leasing of properties	The Council's delegations of authority policy states that authorisation must be granted by Council's Finance Committee for the sale, purchase of property, and for entering into or terminating lease agreements.	PWC Internal Audit Strategic Lease Property Process Assessment	P9	While we acknowledge delegations were established as a result of property decisions made several years ago that ended with undesired outcomes, it may now be time for management to consider alternative organisational structures (e.g. if the Council's property portfolio should be managed by a CCO) which will allow negotiations to be undertaken in a commercial manner. If the existing structure is deemed to be appropriate, management should consider amending the approval process for negotiating property transactions (including property purchases or sales) to enable responsive negotiations. Additionally, management should consider if the approval process and authority delegations for the negotiation of property related transactions should be modified to allow price negotiations within a defined threshold to market value.	Moderate	The approval process and delegations will be reviewed in conjunction with the development of an overall property strategy.	Strategic Property Unit Manager	30/11/16 GM Strategy & Communications
347	Monitoring controls should be implemented to ensure operational property management processes are followed	Approval controls are in place across strategic lease property management processes to ensure that transactions entered into are appropriate. However, we identified that there are no formalised detective controls in place to identify where approvals have not been obtained as required by HCC processes and procedures.	PWC Internal Audit Strategic Lease Property Process Assessment	P11	Management should implement detective controls to identify leases where all necessary steps have not occurred. For example: 1. A monthly review should be performed to identify all new lease arrangements entered into. For all identified new leases, management should examine supporting evidence that approvals have been appropriately obtained. 2. On a periodic basis, management should select a sample of ongoing lease agreements. For the sampled agreements, management should examine documented evidence that lease management processes have been followed. Evidence of the reviews performed should be documented and retained.	Moderate	Monitoring controls will be developed and implemented as recommended, to ensure that all leases have been appropriately approved and on-going lease management is performed in-line with process.	Strategic Property Unit Manager	30/11/16 GM Strategy & Communications
348	Budgeting assumptions should be considered at an	We were advised that a financial performance target is set for the overall SPU each year during HCC's annual budgeting process. However, we identified that individual property by property	PWC Internal Audit Strategic Lease Property Process Assessment	P12	Management should consider setting property-by-property performance targets based on individual budgets and associated assumptions.	Low	Individual property budgets will be developed in conjunction with the Council's annual budget cycle.	Strategic Property Unit Manager	30/11/16 GM Strategy & Communications

349	Property management system should be considered to increase the efficiency of property management processes	The strategic property portfolio management processes are currently supported by a Microsoft Access database and a paper based filing system. As such, property file including contracts, correspondence with leasees, rental assessments etc. are all retained in hard copy and are inefficient to manage. The current system does not facilitate efficient budgeting, reporting, and management at an individual property level. This reduces the quality of any budgeting and reporting for the SPU as a whole.	PWC Internal Audit Strategic Lease Property Process Assessment	P13	Management should consider implementing a property management system to better support and facilitate the strategic property management processes.	Low	A Property Management System will be scoped and funding identified in conjunction with the Council's annual budget cycle	Strategic Property Unit Manager	30/08/16	GM Strategy & Communications
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**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** 2015/16 Health and Safety  
Annual Report

**Author:** Tracey Stevenson

<b>Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Health and Safety annual report</i>
<b>Financial status</b>	<i>Budget allocated from operational budgets.</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- This report provides the Audit and Risk Committee with an update against the 2015/16 Health and Safety key performance indicators and activity.

### Recommendation

That the report be received.

## 3. Attachments

- Attachment 1 - Annual Report - Health and Safety - 2015/16

## 5. Discussion

- The 2015/16 year's results are mixed. There has been reduction in the number of injuries across Council but an increase in the severity. This has resulted in increased lost time overall and one fatality.
- Additional resources were allocated to the Health & Safety team in 2015/16 to support improvements in Council's Health & Safety performance and risk culture.
- The Health and Safety at Work Act (2015) came into effect on 4 April 2016 replacing the Health and Safety in Employment Act 1992. This represented a major change to New Zealand's health and safety legislation. Workshops were conducted to educate Council staff on these changes to ensure all staff understands their role and responsibilities under the new Act. Further training material was also provided to staff to reinforce this training. Council's system and processes have been updated to reflect the legislative change.
- Further workshops are planned in October focusing on critical risk management using a "Bow Tie" methodology. This process identifies critical risks and controls to prevent the risk

eventuating. Additionally mitigation actions are identified to reduce the consequence should the risk eventuate.

- 10. The Waikato Local Authority Shared Services (LASS) Health and Safety Working Party has identified several projects which include a contractor pre-qualification scheme, combined training initiatives and a collaboration portal through Bay of Plenty LASS to share health and safety documentation.

**Signatory**

Authoriser	David Bryant, General Manager Corporate
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# Health and Safety

Creating a culture where our people are safe and well at work and at home

# 2015/16 ANNUAL REPORT

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## 1.0 Executive Summary

The Health and Safety Unit has had a significant year which has seen a substantial amount of work undertaken. This includes leading the investigation into the fatality at the Zoo in September 2015, the introduction of the Health and Safety at Work Act 2015 and new regulations in April, participation and leadership in projects/initiatives identified through the Waikato Local Authority Shared Services (LASS) Health and Safety Working Party and development of a revised Health and Safety Management System along with business as usual which has put the unit under substantial pressure at times to deliver its outcomes while supporting and advising across the organisation.

The new Health and Safety Management System is being developed to align with national and international industry best practice, with the development of a suite of standards and tools to enable operational units to align their practices and provide the Senior Leadership Team with an assurance of a consistent approach to managing critical risks.

The Health and Safety policy has been updated and approved to reflect new responsibilities and obligations under the Health and Safety at Work Act 2015, supporting regulations, ACC's Workplace Safety Management Practices programme and reflects international best practice. This policy has been through a consultation process with management and staff, with feedback received and considered. It has also been reviewed and approved by Tompkins Wake to ensure it meets the requirements of the Health and Safety at Work Act 2015.

The health and safety engagement and participation structure currently in place, specifically the Health and Safety Group Committees, has contributed to an improved health and safety culture. Senior leaders are developing relationships with health and safety representatives and have improved visibility of the issues and improvement opportunities within their business.

The Health and Safety Unit has had approval for two additional positions to support the organisation in meeting its legislative obligations. Successful recruitment for the additional Health and Safety Advisor position was made in April and a secondment was made to the Health and Safety Administrator position. This position has been approved as permanent in the next financial year.

### Summary of Key Performance Indicators (KPIs)

The 15/16 medical treatment injuries have reduced by 16 from the previous year from 69 to 53, which is a significant decrease. However, there has been an increase in the number of lost time injuries, which indicates the severity of harm has increased and/or stay at work rehabilitation plans have not been managed. There will be focus made on injury management during the next twelve months to ensure managers understand rehabilitation processes.

## 2.0 Key Performance Indicators

### 2.1 Definitions

**Lost Time Injury** – work related injury/illness resulting in a whole shift off work

**Lost Time Injury Frequency Rate** – frequency rate of lost time injuries/illnesses that occur for every 200,000 hours worked

**Near Hit** – event, under different circumstances, could have caused an injury or damage

**Corrective actions** – actions identified to prevent harm/damage and comply with legislation

**Observations/Audits** – inspections and observations carried out by Council workers in the workplace, whether scheduled or sighted as part of a walk through

### Lead Indicators

Leading performance indicators are used to monitor the effectiveness of control systems and give advance warning of any developing weaknesses before problems occur. They can show the condition of our systems before harm, damage or failure occurs and will help us to respond to changing circumstances to avoid unwanted outcomes. Conducting observations and inspections, reviews of near hits and monitoring the implementation of hazard controls will provide management with assurances that the Health and Safety Management System is being effectively implemented.

### Lag Indicators

Lagging performance indicators show us what the final outcomes are from our business activities, however, may not provide enough information to guide our actions and ensure success. There is usually delay between information being received and us responding.

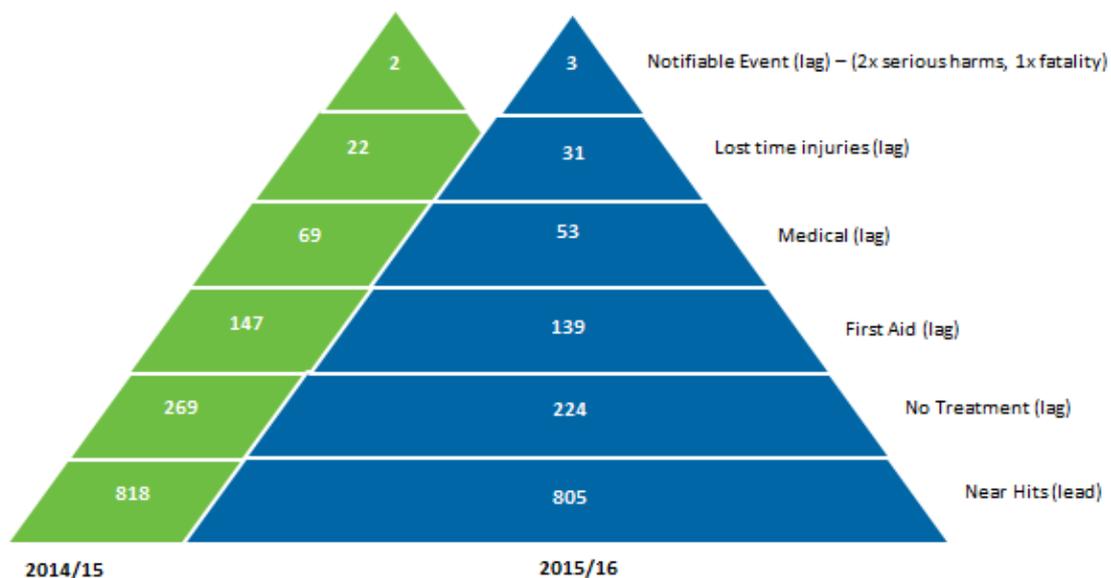


Figure 1: Performance Indicators for Incidents year end 30 June 2016.

### 2.2 Analysis and commentary

#### Serious Harm

In 2015/16 there were three serious harm injuries reported to WorkSafe New Zealand relating to workers:

1. Laceration to right foot from a crowbar whilst breaking out asbestos cement pipe, resulting in an overnight stay in Waikato Hospital and six days off work.
2. Tiger incident resulting in a fatality.
3. Broken bone in foot when stepping on acorns. This injury resulted in fourteen days off work and a return to work plan was developed.

An internal investigation was carried out on item 2 by the Health and Safety unit, with 21 recommended preventative/corrective actions identified. An external investigation was carried out by WorkSafe New Zealand, which resulted in a prosecution for failing to identify a hazard that caused serious harm to worker.

All serious harm injuries were internally investigated to identify the root cause of the incident. The root causes of the above have been categorised as:

1. Procedures not followed
2. Work practices, engineering controls
3. Risk assessment, hazard not identified

**Lost Time Injuries**

Lost Time Injuries are medical treatment injuries that have resulted in at least one whole shift/day off work due to a work related injury. The total of 31 lost time injuries is an increase on the previous year by nine. Six of these have resulted in seven days or more off work.

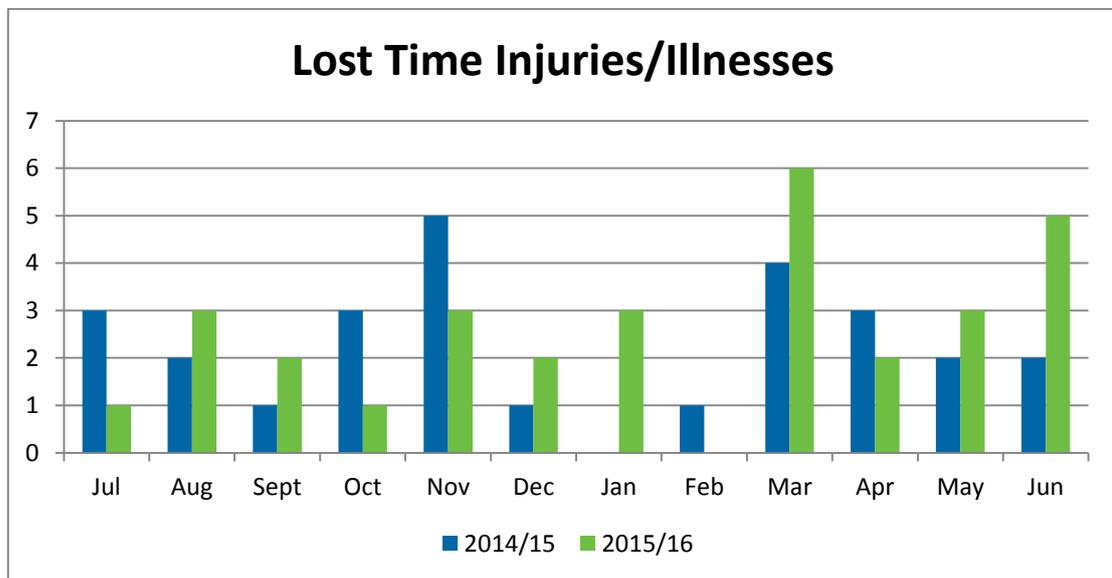


Figure 2: Lost time injuries/illnesses 2014/15 and 2015/16

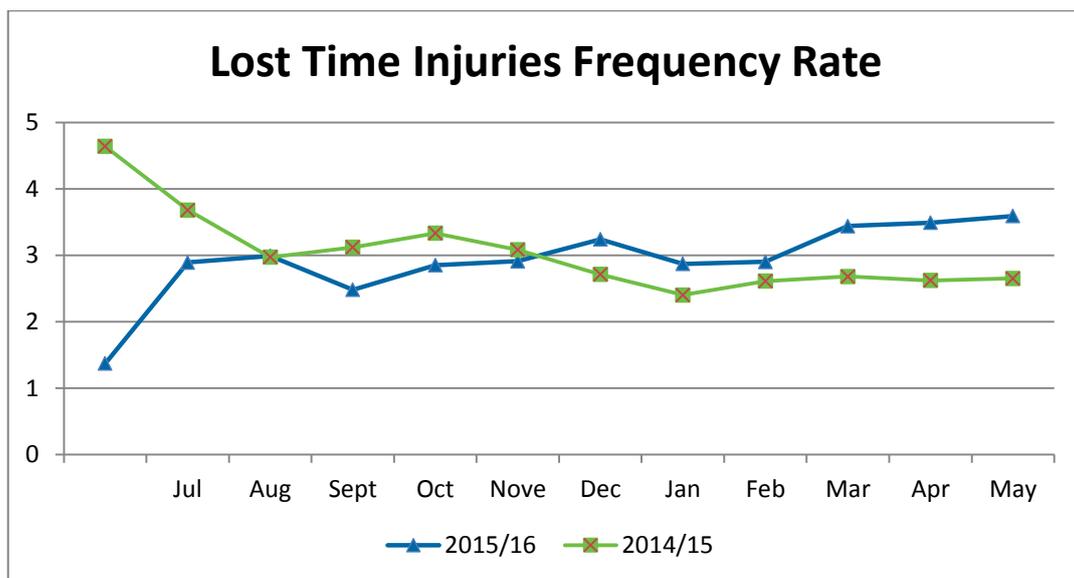


Figure 3: Lost time injuries are injuries/illnesses that have resulted in a whole shift off work. Lost time frequency rates (LTIFR) are a rolling average based on 200,000 hours worked to enable benchmarking against the Business Leaders' Health and Safety Forum

**Medical Treatment Injuries**

2015/16 has seen another reduction from previous years, with 53 injuries receiving medical treatment, compared to 69 in 2014/15, 84 in 2013/14 and 92 in 2012/13. A significant number of these continue to be precautionary visits, for example bee stings or rose thorn puncture wounds, which often result in first aid or no medical treatment. These have prompted discussions to consider redefining “medical treatment injuries”.

**ACC - Experience Rating**

Experience rating takes into account a business’s ACC claims history when calculating its levies. Under the experience rating framework, employers who have lower-than-average injury rates, with better-than-average rehabilitation or return to work rates, may receive a discount on their ACC work levy. Those with worse-than-average claims experience may receive a loading on their levy.

The graph (Figure 4) shows the trending of Council’s experience rating discounts/loadings received since ACC commenced with the Experience Rating Scheme.

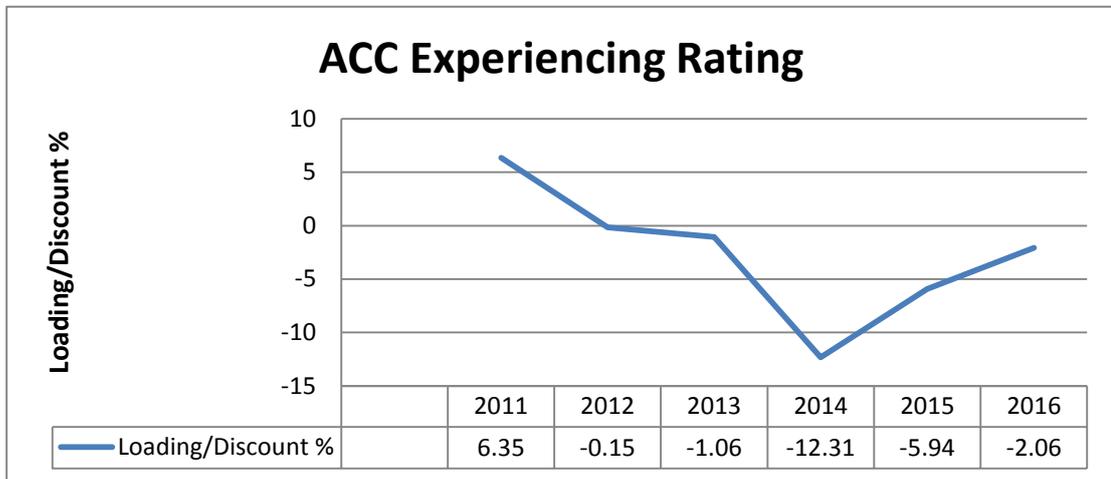


Figure 4: 2011 – 2016 ACC Experience Rating Results (loading and discount percentages received from ACC for experience rating)

The above lost time injuries and the fatality may affect our Experience Rating levy over the next three years. While, the frequency rate for lost time injuries is continuing to stay stable at 3, we cannot forecast these costs as the loadings/discounts are also based on the performance of our industry peers.

2015 saw Council drop to a 5.94% discount on the 2015/16 levies invoice. The reduction in discounts has continued in 2016, being 2.06% which has equated to a discount of \$7,485 in the 16/17 levies. The maximum possible loading/discount will be up to +75%/-50% of Council’s standard industry levy rate.

Cover Year Ending 31 March	Total Work Claims Accepted	Number of Medical Claims > \$500	ACC Days Paid
2014	74	8	544
2015	84	17	213
2016	79	11	375

Table 1: ACC Experience Rating claims data

ACC use the previous three years of claims history to calculate the levy discount/loading. The figures are impacted by the number of claims lodged by Council workers that have resulted in medical treatment exceeding \$500 per claim or the claimant has received compensation due to being off work for seven days or more (with a cut-off at 365 days).

### **Benchmarking**

Benchmarking against the Business Leaders' Health and Safety Forum now sees us in a much more favourable position. From January 2013 to December 2015, the Forum reported a slight LTIFR increase from 1.6 to 1.66 (lost time injuries per 200,000 hours worked).

The introduction of ACC's Experience Rating system in 2011, has given us the ability to compare with our industry peers. Council's performance against our industry peers will result in a discount or loading dependent on the national averages. Council has been trending downward in relation to the number of claims accepted and the cost of treatment. However, the number of compensation days has increased from the previous year, which indicates that, either the 'return to' or 'stay at work' plans are not being actively or consistently implemented or managed.

### **Near Hit Reporting**

We continue to encourage near hit recording and reporting. The benefits of management knowing of near hits include:

1. enabling pro-active control of hazards before a tragic or costly incident occurs,
2. opportunities for engagement (of all workers at all levels) in solving problems,
3. increasing health and safety ownership and reinforces workers' self-esteem,
4. exposure of valuable information that otherwise might not be discussed,
5. contribution to a positive health and safety culture.

The organisational target of 883 near hits was achieved for 2015/16. This is the first time this key performance indicator has been achieved in the last three years and provides a quantitative indication that workers feel safe reporting near hits and understand the benefit of reporting them. These are investigated by Team Leaders/Supervisors with preventative actions identified and implemented.

## **3.0 Activities**

### **3.1 Audits and Reviews**

An external audit schedule has been implemented, focussing on operational areas with activities associated with our organisational critical risks, which will be conducted monthly. Three have been completed at the time of this report at Hamilton Gardens, Claudelands and Stadia. There were no significant issues or non-compliances identified.

Workplace inspections are scheduled to occur throughout the year. Health and Safety Representatives carry out at least one inspection per year. They involve a walk-around of each facility/workplace across council, working through a checklist to identify any uncontrolled hazards, expired certifications and the level of health and safety knowledge held by workers. Representatives completed 23 inspections across Council this year, with 33 non-compliances identified. The majority of these related to low-medium risks. All inspections are recorded in Vault, with non-compliances assigned to managers to rectify and close out.

The ACC Workplace Safe Management Practice (WSMP) external audit was carried out in April. The audit involved the requirement of evidence to show the management system was being implemented at a site nominated by ACC. This year Waterworld was selected by ACC as the area of focus for the audit. Evidence was insufficient to retain the Tertiary status, which resulted in the organisation being accredited with secondary. The ACC levy discount we will now receive as a result in this decrease in status from Tertiary to Secondary will be from 20% to 15%.

**3.2 Harassment and Bullying monitoring**

Council has a zero tolerance approach to bullying and harassment in the workplace. All allegations are taken seriously. 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)

The peer support network is a group of trained workers that can advise on options to those who feel that they may have been bullied or harassed. Five peer support reports were received from the peer support network during the 2015/16 year. This provided opportunity for early intervention methods to be applied. It has been pleasing to see that this group is also being approached by staff about other wellbeing matters affecting our people. This continues to highlight the level of trust that the peer support have developed. This is a fully confidential programme and we are unable to identify who uses this service. After receiving education and support from a peer support member, the worker may address the respondent, resolving the matter or decide that there is not an issue of bullying or may choose to raise an informal or formal complaint and therefore may be counted more than once in our statistics.

Informal reports are from workers who have raised an issue with their manager or Human Resources Advisor. These people have asked that the behaviour stops and do not wish for a formal investigation to take place. Six people have raised an informal complaint. Actions for an informal complaint are most likely to include a facilitated meeting between the parties, where desired outcomes are usually achieved for both parties.

Formal reports relate to a written complaint regarding a bullying, harassment or conflict issue. There were three formal complaints during the year all of which were investigated. One of these cases resulted in disciplinary action being taken and the respondent being removed from the workplace. Some required corrective actions around their general behaviour towards others which was addressed by one-on-one coaching. Research shows that bullying has a high threshold. Many complaints are about unacceptable behaviour that needs to be addressed and stopped before it becomes bullying.

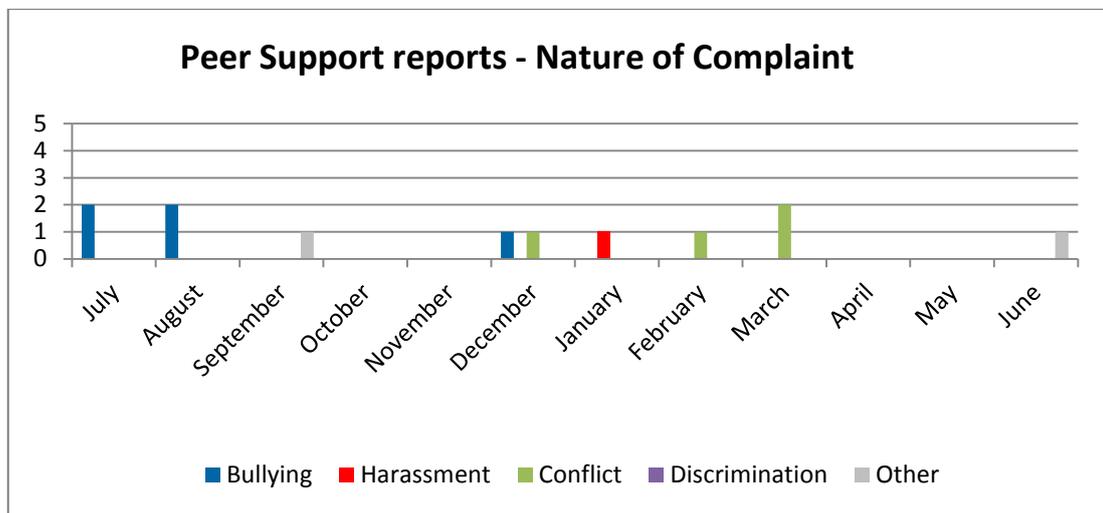


Figure 5: Graph showing types of complaints received of alleged unacceptable behaviours

### 3.3 Waikato Local Authority Shared Services (LASS)

The Waikato LASS Health and Safety working party continues to function well, with ongoing initiatives identified to provide a consistent approach by all participating Councils and to share resources.

The first major project is the development of a contractor health and safety pre-qualification scheme. The project aim is to identify services to share that recognise best practice within local government, and allow local authorities to assess contractor capabilities in their health and safety practices so that we meet with legislative compliance.

This project is now well underway, with an IT vendor currently developing an online system for contractors to submit their application and once pre-qualified, be listed in the online database. This will assist in giving us assurance on contractor health and safety systems, and contractors only need to apply once to be pre-qualified for all Councils in the group.

Another significant cost savings initiative was to obtain a pricing proposal with one training provider to deliver specialist health and safety training eg first aid, working at height. The pricing was offered to Waikato and Bay of Plenty LASS. These proposals have been accepted, with master agreements to be put in place for both LASS' enabling all Councils to have access to reduced training rates and combine attendees to fill courses.

Other projects include:

- Combined trainings
- Health and Safety Committee Terms of Reference
- Vault responsiveness
- Collaboration portal
- Standardised Key Performance Measures (KPI's) and Personal Performance Measures (PPI's)
- Standard governance and reporting measures.

## 4.0 Monitoring

### 4.1 Observations and audits

There has been a focus and drive on workplace/worksites audits, inspections and safety observations throughout 2015/16. These have highlighted improvement opportunities and non-compliance which has enabled Council to take action before harm or damage has occurred. The majority of non-compliances related to poor housekeeping.

### 4.2 Drugs and alcohol

A number of drug and alcohol tests have been carried out, following the occurrence of incidents, or reasonable cause. All workers that returned a positive were given the opportunity to sign onto the voluntary rehabilitation programme.

The Drug and Alcohol Policy is currently under review, with 'random testing' of "safety sensitive areas" to be included into the policy. Unions and workers will be consulted on any changes and a legal review will occur before it will be approved by the Senior Leadership Team.

## 5.0 Committees

### 5.1 Worker participation system agreement

Council had a Worker Participation System Agreement with PSA, First Union and AWUNZ. This agreement was due to be reviewed in June 2015. However, the unions and Council have agreed to not review this as it is now covered comprehensively in the new health and safety legislation regulations and the soon to be released Current Best Practice - Worker Engagement.

### 5.2 Health and Safety Leadership Committee

This committee is made up of the Chief Executive, General Manager Corporate, General Manager Growth, General Manager Infrastructure, Health and Safety Manager, People and Culture Manager, General Manager Community, with the Chief Executive chairing the meetings. The purpose of this group is to provide health and safety leadership and meet tri-monthly. The committee approve key projects that align with the health and safety organisational strategy, monitor issues involving critical risks and review health and safety performance.

### 5.3 Health and Safety Leadership Committee and Unions

The Health and Safety Leadership Committee meets formally with the three Unions (as per 5.1) represented in Council twice a year. This has been beneficial in keeping unions up to date with health and safety projects and enabling them to support what Council is doing in this area.

### 5.4 Health and Safety Group Committees

The five established Health and Safety Committees have been operating very well with the following benefits being:

- the topics/issues/initiatives discussed/identified at meetings are relevant to the group and their business activities/risks
- General Managers have visibility and understanding of operational risks/issues in their group
- improved communications between staff and management around health and safety matters
- improved compliance around committees and worker participation legislative requirements.

## 6.0 Wellbeing

### 6.1 Wellbeing Programme

Council offers a range of benefits and initiatives that contribute to the wellbeing programme. These include flu vaccinations, peer support programme, Employees Assistance Programme and participation in national/regional campaigns e.g. Mental Health Awareness Week, Bike Wise month. For 2015/16 a total of 232 employees received flu vaccinations.

### 6.2 Staff benefits

Council was able to provide the annual health checks this financial year (15/16) and 207 staff registered for this opportunity. A report provided by Life Care Consultants for health checks conducted identified:

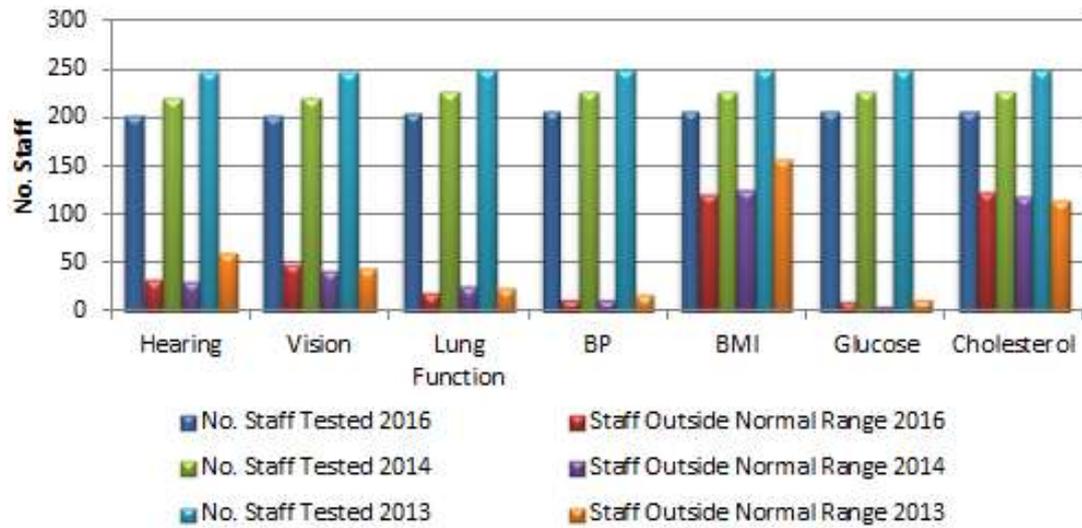
<b>Number of staff attended:</b>	<b>207</b>
Males	43%
Females	57%
Attendees aged 29 or younger	20%
Attendees aged 30-39	20%
Attendees aged 40-49	33%
Attendees aged 50-59	19%
Attendees aged 60+	8%

The following trends were seen when results were compared with tests from previous years:

Hearing	Overall decline
Vision	Overall decline
Lung Function	Overall decline
Blood Pressure	Consistent
BMI	Overall decline
Blood Glucose	Overall decline
Cholesterol	Overall decline

**NB:** These are voluntary health checks and the same staff may not necessarily attend each year’s registration for comparison trending data, this is only an overall general comparison between years.

### Premium Health Assessment Comparison for Hamilton City Council - 2013-2016



Life Care advised that vision and hearing results were in overall decline, with 23% of workers showing deterioration in hearing. A majority of staff tested had a BMI higher than the Heart Foundation recommendation of 25, encouraging activity and offering education would assist this group. One other concern was that there with 11 staff with a glucose reading outside of normal range, up from 6 in 2014. Over 60% of staff tested had cholesterol reading that is considered outside of normal range which is an increase from 53% in 2014.

The Health and Safety Unit were notified immediately of two staff having seriously high blood pressure at the time of their check, with one requiring hospitalisation. This highlights the benefits of providing this for our people.

## 7.0 Strategic Direction - Leadership

### 7.1 Legislative changes

Leading up to the introduction of the Health and Safety at Work Act 2015 on the 1 April 2016, the Health and Safety Unit have been developing a new Health and Safety Management System. The system includes the development of a suite of “Current Best Practice” standards that have been created using national and international industry standards where practicable. There are also a number of new and modified tools and resources being developed to support the new management system. A road show will be carried out from October to introduce and educate the organisation on the new system.

## 7.2 Senior Leadership Team

The Health and Safety Leadership Committee have participated in a workshop facilitated by Chris Alderson of Price Waterhouse Coopers. The purpose of this workshop was to provide an increased understanding of health and safety risk assessments and provide solutions to minimise the consequences should an event occur using the bow-tie methodology. Workshops will be held with Unit/Business Managers and rolled out within the operational units for use on all critical risks.

Council is a financial member of the National Business Leaders Health and Safety Forum, with the Chief Executive having attended at least one meeting and the Health and Safety Manager attending a workshop.

## 7.3 Health and Safety Unit

Following the organisational restructure, the Health and Safety Unit now reports to the Corporate General Manager, with a name change from the Safety and Wellbeing Team to the Health and Safety Unit. There have been title changes to two positions, the Safety and Wellbeing Advisor title has changed to Health and Safety Manager, with the Safety and Wellbeing Compliance Officer changing to Health and Safety Advisor. These title changes reflect the current activities and functions being carried out due to organisational and legislative demands. Two new positions have been created within the Unit, being an additional Advisor and an Administrator. Wellbeing is now a shared function between People and Culture and Health and Safety Units.

## 7.4 Looking forward

The 2016/17 will be a year of significant deliverables and outcomes, with two major projects being completed and implemented, such as the Health and Safety Management System and the Waikato LASS contractor pre-qualification project. Other key focus areas include:

- updating the Health and Safety Management System to align with new organisational structure and new branding
- participation in the Waikato LASS Health and Safety Working Party initiatives
- finalising and implementing the 2016/17 health and safety strategy as part of the Connected programme
- preparing and conducting a BS OSHAS18001:2009 self-assessment
- continuing to make incremental improvements to the health and safety culture
- focussing on improved workplace exposure and occupational health monitoring.

## 7.5 2015/16 Health and Safety KPI's

Health and Safety Key Performance Indicators							
Purpose – to create a culture where our people are safe and well at work and at home							
Objectives	KPI	Measure	Timeframe	14/15	15/16	Update	Notes
<ul style="list-style-type: none"> <li>- reduce harm</li> <li>- ready for new legislation</li> <li>- build a best in business health and safety management system</li> <li>- develop and embed a “just” culture</li> <li>- ACC Experience Rating - lower than industry peers</li> </ul>	Lost Time Injury Frequency Rate	<3.0 <sup>1</sup>	Jun 2016	NA	3.59	Not Achieved	
	Increased near hits recorded (10% increase on 14/15 target)	883	Jun 2016	803	805	Achieved	
	Increased safety observations/audits (1 per Unit/team per month)	420	Jun 2016	641	577	Achieved	Year end figure includes 363 safe behaviour observations and site inspections conducted by Alliance staff. 278 were recorded in Vault by other areas of HCC.
	No overdue corrective actions	0	Jun 2016	135	0	Achieved	
	Staff Engagement Survey - Health and Safety category score				86%	Achieved	Highest scoring category in survey. Unable to compare this survey with previous surveys due to new provider and different scoring and questions.

<sup>1</sup> LTIFR is a rolling year to date figure

**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** Insurance Update

**Author:** Barnaby Pace

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Organisational Insurance Programme</i>
<b>Financial status</b>	<i>There is budget allocated</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

2. To provide an update on the 2016/2017 insurance renewal programme.

## Recommendations from Management

That the report be received.

## 3. Attachments

4. Attachment 1 - Hamilton City Council Revaluation Project Plan 2016

## 5. Background

6. Insurance Brokering was collectively tendered by the Lion Partnership for a group of Waikato Councils led by Hamilton City Council in March 2016. The contract was awarded to Aon NZ.
7. The purpose of the process was to leverage the regions' collective insurance requirements to deliver economies of scale through reducing brokerage costs and reducing the exposure to market increases in premium costs while also ensuring adequate coverage of risk. A collective programme across the Waikato councils commenced from 1 November 2012.

## 8. Renewals and Revaluation Programme

9. We are currently working through the 2016/17 renewals programme across all insurance policies and will be able to provide detailed information on these at the next Audit and Risk Committee meeting.
10. A draft timeline (Attachment One) has been set for the above ground asset revaluation programme. This is a tri-annual revaluation programme for all council properties and other above ground assets. This programme of work will be completed and reported in detail at the next Audit and Risk Committee meeting.

**Signatory**

Authoriser	David Bryant, General Manager Corporate
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### Hamilton City Council Valuation Draft Project Plan

Effective 11 August 2016

		Week Starting												
Phase	Task	15-Aug	22-Aug	29-Aug	5-Sep	12-Sep	19-Sep	26-Sep	3-Oct	10-Oct	17-Oct	24-Oct	31-Oct	7-Nov
Planning	Kick off meeting													
	Confirm Assets to be Valued													
	- Scope of works													
	- Additions and Deletions													
	- Notification of CAPEX spending													
	- Site contacts to be provided and introductions made													
Site Visits	Site visit original properties													
	Site visit new additions (additions / deletions found on site to be discussed with property managers as and when)													
Data Analysis	Write up data and reporting													
	Review													
	Draft Deliverable													
	Draft Discussion													
	Final Deliverable													



**Committee:** Audit & Risk Committee

**Date:** 13 September 2016

**Report Name:** PWC Draft Internal Audit Plan

**Author:** Tracey Musty

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Internal Audit Plan</i>
<b>Financial status</b>	<i>There is budget allocated Amount \$150,000 per annum (5 year contract)</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

### 1. Purpose of the Report

2. The purpose of this report is to present the draft Internal Audit plan for FY16/17 to the Audit and Risk Committee for approval.

### 3. Discussion

4. The draft internal audit plan for FY16/17 is to be reviewed at the Audit and Risk Workshop on 13 September. Following this workshop it will be presented to this committee for approval.

### Recommendations from Management

That:

- a) the report be received; and
- b) the draft Internal Audit plan for FY16/17 is approved.

### 5. Attachments

6. There are no attachments for this report.

### Signatory

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

**Date:** 13 September 2016

**Report Name:** PWC Internal Audit Update

**Author:** Tracey Musty

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Internal Audit Plan</i>
<b>Financial status</b>	<i>There is budget allocated Amount \$150,000 per annum (5 year contract)</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- The purpose of this report is to update the Audit and Risk Committee on PwC's Internal Audit progress for FY17 Quarter 1.

## Recommendation from Management

That the report be received.

## 3. Attachments

- There are no attachments for this report.

## 5. Discussion

- PwC have been working with management to formulate the internal audit plan for FY16/17 which is being submitted for Audit & Risk Committee approval.
- A summary of the status of quarter 1 engagements is detailed below:

## 8. FY16/17

1	Q1	Cash Handling processes and controls	In progress. Draft reporting progressed.
2	Q1	Payroll process and controls	In progress. Draft reporting progressed.
3	Q1	Procure to Pay processes and controls	In progress. Fieldwork being finalised.

**Signatory**

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

**Date:** 13 September 2016

**Report Name:** Internal Audit Update -  
Governance Reporting

**Author:** David Bryant

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Internal Audit Plan</i>
<b>Financial status</b>	<i>There is budget allocated Estimated costs incurred to date \$47,048.29</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

2. To update the Committee on work undertaken in response to PwC's *Governance Reporting Final Report*, presented to the Committee on 16 September 2015.

## 3. Recommendation from Management

That the report be received.

## 4. Attachments

5. Attachment 1 - PwC Internal Audit Assessment - Governance Reporting
6. Attachment 2 - Governance Reporting Actions - Status Update
7. Attachment 3 - Governance Reporting Process

## 8. Key Issues

9. Background
10. The Internal Audit Assessment on Governance Reporting was presented to the Audit and Risk Committee on 16 September 2015. A copy of that assessment is attached (Attachment 1).
11. Management have focused on the following key themes and actions in response to that Assessment:
  - **People**
    - Provide support and training to report writers.
    - Articulate expectations clearly and consistently across Council.

- **Process**
  - Develop and implement a new report template.
  - Establish clear governance reporting process.
  - Develop and monitor performance metrics on the governance process.
- **Technology**
  - Upgrade software used for the preparation of reports, agendas and minutes.
  - Review IS personnel support for technology used in the governance reporting process.

12. Status Update

13. Attachment 2 provides a status update on the above themes and actions. Ongoing issues include:

- Instability of current system software, particularly for the Democracy team.
- Delays in finalising reports and the number of late reports presented, impacting on the compilation and circulation of agendas to Council and Committee members.

14. It is intended that these matters will continue to be addressed by the actions noted below.

15. Next Steps

16. The key initiatives going forward are:

- Continuation of, and embedding, a training and support programme for governance reporting.
- Upgrading InfoCouncil in early 2017.
- Upgrade of computer hardware used by Democracy to assist with agenda and minute compilation.
- Launch of new report templates.
- Implementation of robust KPIs to support the effective measurement and monitoring of governance metrics.

**17. Financial and Resourcing Implications**

18. The costs incurred to date across the various workstreams, which fall within existing operational budgets, are as follows:

<b>Training &amp; Development</b>	6 x Report Writing Training Sessions (May/June and September 2016)	\$30,648.29 (excl GST)
<b>IS Upgrades</b>	InfoCouncil Upgrade (December 2015 and Q1 2017)	No cost – part of annual fee.
	PDF Converter (3 Heights) Upgrade (December 2015)	\$1,400.00
	IS Staff Cost (Estimate only)	\$15,000
<b>TOTAL</b>		<b>\$47,048.29</b>

19. The estimated IS staff cost above is based on work that commenced from 1 July 2016 to review the existing InfoCouncil application issues and the development of a resolution plan.

**20. Risk**

21. As noted in the Internal Audit Assessment, weaknesses in the governance reporting processes – including a lack of transparency and accountability - and not embedding the cultural change required to address such weaknesses, have a direct, adverse impact on:

- the timely preparation and review of reports;
- the quality of information provided to Council and Committee members in order to make effective decisions; and
- the Council satisfying its statutory obligations under the Local Government Act 2002 as to conducting its business in an open, transparent, and democratically accountable manner.

22. The actions taken to date, and those yet to be implemented, are intended to address and mitigate these risks.

**Signatory**

Authoriser	David Bryant, General Manager Corporate
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# Governance Reporting Final Report

Hamilton City Council  
Internal Audit  
8 September 2015

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This report is provided solely for Hamilton City Council for the purpose for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.

**pwc**



Mr Richard Briggs  
Chief Executive Officer  
Hamilton City Council  
Hamilton

By Email: richard.briggs@hcc.govt.nz

8 September 2015

Dear Mr Briggs

**Hamilton City Council – Governance Reporting**

We report our findings of Governance Reporting undertaken at Hamilton City Council ("HCC"). Our report is issued in accordance with the Terms of Reference dated 11 March 2015.

Our report is divided into an Executive Summary and our Detailed Improvements Plan, with management responses.

When you have had the opportunity to review the report we would be very happy to discuss it with you.

Yours sincerely

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

Andrew Holmes  
Partner  
Auckland  
T: +64 9 355 8633

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## Section 1 – Executive summary

### Introduction

This report sets out the findings arising from our assessment of HCC's Governance Reporting Framework, in accordance with our Terms of Reference dated 11 March 2015. Our assessment was performed during April and May 2015.

### Background

HCC has the responsibility and mandate to govern financial and non-financial performance, strategies, plans and policies. To effectively action this HCC has delegated a number of activities to specific committees and sub committees.

Committee members have identified that the relevance, reliability and timeliness of reports providing information to these committees on which they make informed decisions requires improvement. While Committee Chairs have introduced actions to mitigate these weaknesses, such as the 'hot review' process, this has not addressed the root cause of poor report quality. As such our assessment of the existing governance reporting framework looks to provide management and committee members with recommended improvement actions.

The preparation, review and use of governance reports at HCC involves Her Worship The Mayor, Councillors, the Chief Executive, General Managers, Principal Advisors and the Democracy unit. The existing governance reporting framework is based on management-approved guidelines. However, there is no formal organisation-wide policy or documented procedures in place. At a high level the framework is as follows:

- **The 'Agenda Items Schedule' and the 'Reporting Deadlines Schedule' are in place** These schedules detail:
  - the timing and standard agenda items for the committees and subcommittees. Committee workplans have a degree of flexibility, which can result in agenda items changing during

the course of the year.

- reporting timeframes from agenda setting to publication of an agenda
- **Agenda setting meetings are held prior to each committee meeting:** These meetings are normally held two weeks prior to when the agenda is to be published. The purpose is for the Chair/Deputy Chair of a committee/subcommittee to confirm with management the agenda item, add any additional items as necessary, confirm the action required from the committee (e.g. for approval) and compliance with legislation.
- **Democracy prepares the Committee report packs:** Committee reports are prepared by the relevant team(s). After writing, review and General Manager authorisation, the reports are collated by the Democracy team in order to issue the agenda. Agendas are distributed to elected members and made available to the public ahead of the meeting in accordance with agreed service levels and statutory requirements.
- **Reports presented:** Reports are presented by management for discussion and/or approval during the committee meeting.
- **Minutes:** Minutes of committee meetings are drafted by the Democracy team, reviewed by the respective Chair and circulated for approval. Minutes include the agenda for the next committee meeting.

Management acknowledge that HCC's governance reporting framework requires revision and is currently not aligned to either the local government reporting best practice guidelines.

## Objective and scope

The objectives of this assessment were to:

- assess the design and operating effectiveness of key controls across the following governance reporting sub-processes, against good practices (for both the private sector and local government organisations):
  - agenda identification
  - report preparation
  - report review and approval
  - report submission
  - agenda and report accessibility for Councillors and the public
- provide recommendations for improvement where key control gaps or operating deficiencies are identified to assist management achieve their desired future state of accountable, effective, and timely governance reporting.

Our assessment focused on the Finance Committee and Strategy and Policy Committee and considered the processes and controls in place which address the following areas:

- expectations of the Chairs of the Finance Committee and Strategy and Policy Committee
- accurate financial information
- clear accountabilities
- timeliness and relevance of reports in relation to the Committee's terms of reference
- management of risks, including reputational risk.

For the basis of our assessment we considered:

- Terms of reference for the Finance Committee and Strategy and Policy Committee and their subcommittees (for the purpose of understanding and assessing the processes for reporting through to the parent committees)
- HCC's policies and procedures including delegations of authority, roles and responsibilities, and significance and engagement
- Legislation such as the Local Government Act 2002 and Local Government Official Information and Meetings Act 1987
- Existing guidelines such as The Auditor-General's Good Practice Guide (Managing the Relationship Between a Local Authority's Elected Members and its Chief Executive) and the International Integrated Reporting Council Framework (IIRC Framework)
- Good practice process and controls across other local government and private sector organisations.

The scope excluded an assessment of data integrity, writing style or formatting as these are covered by other audit processes.

## Approach

Our approach included:

- gaining an understanding of the key framework processes and controls in place guiding the preparation and review of reports included in Council, Finance Committee and Strategy and Policy Committee agendas through:
  - reading relevant documentation, such as policies, Council and Committee terms of references, procedures and guidance
  - interviewing staff within HCC's Democracy team involved in setting procedures and guidance
  - interviewing a sample of key personnel at HCC (including Chairs of each committees, Principal Advisors to each committee and members of the IT team where appropriate) who are involved in preparing and reviewing reports, refer to Appendix 2 for the scheduled meetings and Appendix 3 for the documents inspected.
  - inspecting evidence of key framework processes and controls, such as a limited sample of reports, review notes etc.

- assessing the design of key reporting processes and controls against good practices for both private sector and local government organisations
- identifying and reporting any framework process, control gaps or suggested improvements
- developing and agreeing 'fit for purpose' recommendations, with the HCC Executive Sponsor for this assessment and the Chair of the Council.

### Key messages

Our assessment identified that a number of framework controls which are not in place or are not designed effectively across the areas in scope. Some of the weaknesses with the current governance reporting framework are due to the lack of transparency on the process, contributing to untimely report preparation and review. This has a flow on effect to the quality of information provided to the committee members and their ability to make decisions effectively.

To aid management in addressing these weaknesses, we have set out a number of recommendations for HCC's consideration which aim to address the root causes, including revising and formalising the process with input from key stakeholders, training and the introduction of measures on which to hold people accountable.

The common weaknesses we have identified and our corresponding recommendations have been summarised into key themes set out below.

### Key weaknesses

We set out below a summary of the key weaknesses identified across the governance reporting framework:

#### People

- **Role and responsibilities are unclear:** the responsibilities of General Managers in the preparation and presentation of reports is variable across those interviewed, and Democracy's role and responsibilities across the reporting process were inconsistently understood.
- **Variable skills in report writing and presentation:** there is

variability in the capabilities of report writers to simplify complex or technical subjects in a manner that can be understood by a reasonable person and without prior knowledge of the item/issue.

#### Process

- **Complex, undefined process:** no documented protocol exists to mandate the independent review and/or validation of the report content and therefore General Managers do not consistently involve themselves in report preparation or review prior to submission.
- **Timeliness:** the timing of agenda identification and report preparation does not always allow for sufficient levels of review and discussion with committee Chairs (if required) prior to submission. A number of reports, supporting recurring agenda points, may not be identified or prepared until after the agenda setting meeting.

#### Technology

- **Transparency on report progress is variable:** communication of report writing progress, draft findings and initial recommendations is inconsistent between management and Committee Chairs.
- **System support:** Existing technology does not adequately support the reporting framework from pre-agenda setting to minute collation and staff action sheets.

#### Communication

- **No clear quality and performance expectations:** accountability mechanisms to drive quality reporting are not formally in place and this contributes to missed agenda and report deadlines, quality reviews not being performed prior to approval and insufficient representation by senior management in Committee when presenting the report.

### Key recommendations

Key recommendations are summarised below, with a more detailed roadmap in Appendix 1. Due to the dependencies between each action we have not proposed individual action timelines. With management's agreement we have indicated immediate action be taken in accordance with the suggested order set out in the roadmap.

#### People

- **Establish clear roles and responsibilities:** every person/role involved in the process should have a clear understanding of their responsibilities which should be documented, and understand what aspect of the process they are responsible and accountable for – from the report writer to the Chair of the committee.
- **Formally appoint and communicate Democracy as the 'owner' of governance reporting process:** by owning this process with clearer roles and responsibilities, Democracy will be able to more formally drive and monitor the 12 month reporting plan each year, which may include oversight of feedback from Committee Chairs and producing monthly status reports on performance metrics.
- **Provide support and coaching to report writers and presenters:** provide regular training and mentoring to report writers, report reviewers and presenters to uplift the quality of agendas, reports and presentations made at Committee meetings.

#### *Process*

- **Continually improve the 'optimal' process:** involve a 'virtual team' representing key stakeholders in revising the reporting process to make it optimised and streamlined, ensuring each activity in the process is value add and has 'buy-in' from those involved. Once agreed the process should be documented and communicated to elected members and staff.
- **Review process metrics periodically:** a baseline of current report quality should be measured and be considered in designing the optimal process. Once implemented, the quality score of reports should be regularly assessed by appropriate personnel (for example the Democracy team) to measure if stakeholder expectations are being better met and report quality improved.

#### *Technology*

- **Enable the end to end process with appropriate workflow technology:** report preparation needs to be visibly managed, which can be guided by the use of technology, whether through the existing Info Council system or a new/enhanced system depending on whether

the existing tool can support the new optimal process. The technological framework should facilitate ease of access and use by all appropriate parties.

#### *Communication*

- **Articulate expectations clearly and consistently across HCC:** based on the output of these recommendations, define the revised governance reporting process, setting out performance and behavioural expectations for all the people involved in the end to end reporting process, including:
  - Roles and responsibilities
  - Preparation, review and approval timeframes.

Use key performance indicators where appropriate to hold individuals to account. Consequences for failing to meet such indicators should also be set and communicated to staff.

Our detailed improvements plan is set out in Section 2.

Given this interconnectivity of recommendations and the complexity associated with the findings, we have not provided individual risk ratings for each finding. Rather, we have assigned one rating of **high** risk to our findings in accordance with the risk assessment framework set out in Appendix 5.

### ***Management Comments***

The integrity of governance reporting is critical to the effectiveness of democratic decision making. The organisation, led by the Chief Executive has started a governance reporting improvement programme. This will include a review of the process and schedules, clear identification of process owners and delineation of roles between key stakeholders, the identification and reporting of key metrics, key performance indicators, training and the upgrade to core software.

The improvement programme will be undertaken between now and the end of 2015, and new processes will be implemented in the new calendar year.

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### ***Inherent limitations***

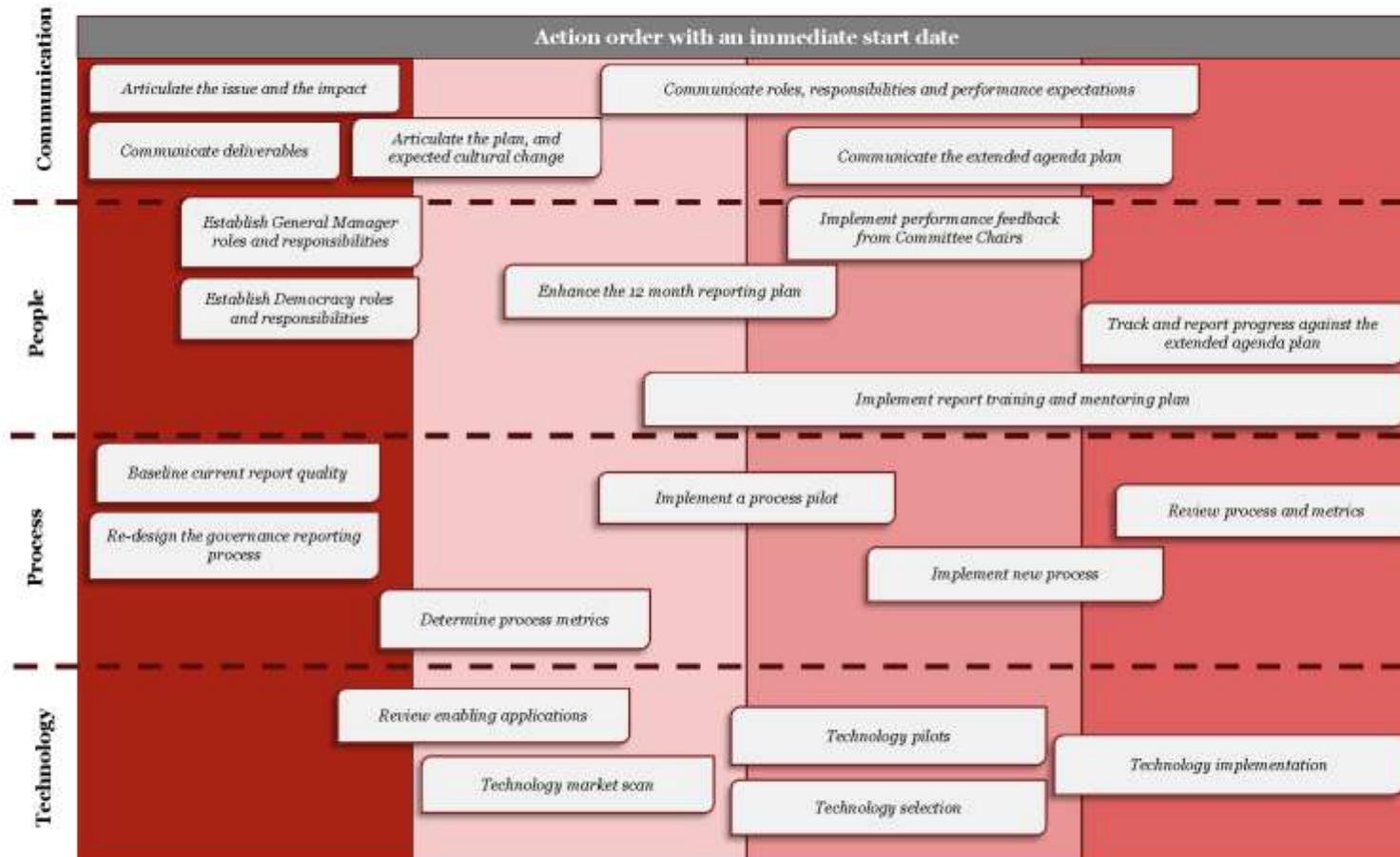
Due to the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, HCC's overall internal control structure, within which the control procedures that we have reviewed operate, has not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

An internal audit review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, an internal audit review does not provide all the evidence that would be required to form an audit opinion of the design or operating effectiveness of the controls subject to review.

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

# *Appendices*

# Appendix 1 – Improvements plan roadmap



The above improvements plan roadmap is proposed for implementation by HCC with an immediate start date to ensure it has a governance reporting framework that is aligned with legislative requirements, existing HCC standing orders, local government reporting best practice and corporate reporting best practice. We have categorised the recommendations into Communication, People, Process and Technology. The improvements plan roadmap should be referred to as a programme of work where workstreams and dependencies are well defined and managed. Detailed recommendations are set out below.

### **Communication**

**This improvement initiative is aimed at increasing transparency of the governance reporting framework across HCC. Once the process has been revised and other actions such as defining roles and responsibilities have been completed, effective communication of the process and expectations should be considered, including:**

Recommendation	Recommendation driver
<b>1. Articulate the issue and impact</b> The importance of the governance reporting process, its current range of issues and the impact of those issues on HCC to carry out its duties under the LGA should be communicated across all stakeholder groups.	Chief Executive
<b>2. Communicate deliverables</b> The goal of the improvement initiatives, when and how these improvements will be implemented as well as how they will be measured in a manner should be articulated in a manner that resonates with each stakeholder group.	Chief Executive
<b>3. Articulate the expected cultural change</b> Highlight the need for cultural change with the drive to heighten individual influence and accountability within the governance reporting framework.	Chief Executive
<b>4. Communicate roles, responsibilities and performance expectations</b> Clear and consistent performance expectations should be expressed and cascaded to each stakeholder group (including elected members) and should be periodically reviewed against with shortfalls communicated as needing remediation.	Chief Executive
<b>5. Communicate the extended reporting deadline schedule (refer to point 9 below)</b> Consider enhancing the transparency of the reporting deadline schedule. Once endorsed, all stakeholder groups should be taken through the key initiatives, timelines and monitoring that will be performed against this plan.	Chief Executive

### **People**

**This improvement initiative is aimed at increasing stakeholder buy-in required to improve the governance reporting framework at HCC.**

Recommendation	Recommendation driver
<b>6. Clarify General Manager roles and responsibilities</b> General Managers' roles and responsibilities in the governance reporting process should be clarified and agreed (including alignment with KPIs ).	Chief Executive
<b>7. Clarify Democracy roles and responsibilities</b> Democracy's should formally own the new governance reporting process and drive the extended agenda calendar each year, flagging any identified trends. Should key performance indicators be introduced, Democracy could oversee the reporting on these by each group, such as timeliness scores against each General Manager on a periodic basis.	Chief Executive
<b>8. Implement a report training and mentoring plan</b> To improve report writing and presentation skills across the organisation, a training and mentoring plan should be implemented through an initial pilot programme to determine the most effective style of uplifting quality. Consider establishing report templates to guide writers of the preferred	Organisational Development

Recommendation	Recommendation driver
layout and required content.	
<b>9. Develop an extended reporting deadlines schedule</b> Democracy should extend the existing reporting deadlines schedule to include specified preparation, review and submission timetables and assignees for these tasks in collaboration with Committee Chairs and General Managers in order for each group to measure progress against the agreed reporting timeframes. (Refer to Step 11 below)	Chief Executive
<b>10. Implement performance feedback from Committee Chairs</b> A governance reporting scorecard or other mechanism should be introduced for General Managers and report writers to receive constructive feedback from Committee Chairs, across report quality and presentation skills. Timeliness scores from Democracy could also be included.	Chief Executive
<b>11. Track and report progress against 'extended reporting deadlines schedule'</b> General Managers should manage report progress to ensure reports are submitted for review and approval in a timely manner and aligned with their KPIs, while Democracy track progress against the reporting deadlines schedule on behalf of the Chief Executive and Committee Chairs, producing a monthly status report to the Chief Executive on e.g. number of reports and group non-delivery as at a point in time.	Chief Executive

## Process

**This improvement initiative is aimed at simplifying the inputs and outputs of the governance reporting framework at HCC.**

Recommendation	Recommendation driver*
<b>12. Baseline current report quality</b> A baseline of current report quality should be measured by selecting a sample of reports from each Committee and providing a quality score that should be measured against once the report training and mentoring plan has been piloted.	Virtual team
<b>13. Re-design the governance reporting process</b> The existing process should be streamlined and optimised by involving all parties in the redesign, ensuring each activity in the process is value add, has a purpose and considers how exceptional or non-standard reporting will be dealt with.	Virtual team
<b>14. Determine process metrics</b> The effectiveness of the new process should be measured periodically, e.g. the number of reports developed to a particular standard or within a particular timeframe.	Chief Executive
<b>15. Implement a process pilot</b> Once a new process has been designed, it will need to be tested in a process pilot from start to finish with feedback being gathered at each stage to gauge any refinements needed to the new process prior to full implementation.	Virtual team
<b>16. Implement new process</b> Once the final process has been tested and agreed, it should be launched with all parties involved including Her Worship The Mayor, Committee Chairs, Chief Executive, Democracy, General Managers and report writers.	Virtual team
<b>17. Review process and metrics</b> Performance metrics should be used by Democracy to measure the operation of the new process periodically, which will help to understand whether refinements need to be made to ensure reports are meeting stakeholder expectations.	Virtual team

## Technology

**This improvement initiative is aimed at modernising the governance reporting framework at HCC.**

Recommendation	Recommendation driver
<b>18. Review enabling applications</b> A review of Info Council and other IT applications currently being used to support the governance reporting process should be reviewed and evaluated to determine whether it is and will continue to be fit for purpose.	Information Services
<b>20. Technology market scan</b> If there are some significant deficiencies in the current suite of Info Council and other IT applications in their ability to enable the new governance reporting process, HCC should research into other tools available.	Information Services
<b>21. Technology pilots</b> Shortlisted tools should be piloted to trial their proof of concepts and evaluate their usefulness and usability for HCC.	Information Services
<b>22. Technology selection</b> Each tool should be evaluated after their pilot at HCC and this should form part of the technology selection process along with an evaluation of HCC's relationship with the prospective technology vendor and implementer.	Information Services
<b>23. Technology implementation</b> The new tool should be implemented in a staged rollout, ensuring that all parties fully understand access security and how to use the technology to support their role in the governance reporting process.	Information Services

## Appendix 2 – List of interviewees

Below are the key personnel at HCC who were interviewed due to their involvement in preparing, reviewing or using reports:

Interviewee	Title
Julie Hardaker	Her Worship The Mayor
Angela O'Leary	Councillor and Chair of Strategy and Policy Committee
Rob Pascoe	Councillor and Chair of Finance Committee
Richard Briggs	Chief Executive Officer and Sponsor
Paul Conder	Acting Chief Financial Officer and Principal Advisor to Finance Committee
David Gunn	Acting Chief Information Officer
Blair Bowcott	General Manager Performance and Principal Advisor to Strategy and Policy Committee
Jason Dawson	General Manager Customer Relationships
Jude Pani	Democracy Manager
Lee-Ann Jordan	Chief of Staff – Mayoral Office
Raniel Prasad	Accounting Unit Manager
Iain Anderson	Accounting Manager

## ***Appendix 3 – List of documents***

Below are the key HCC documents and reports inspected which were provided by interviewees:

<b>Document Name</b>
Council Meeting Open Agenda – Thursday 27 November 2014
Council Meeting Open Agenda – Thursday 26 February 2015
Council/Committee Agenda Items (SLT Visibility) – 31 March 2015
Finance Committee Development Contributions Report – 14 August 2014
Finance Committee Swimming Facilities Report – 14 August 2014
HCC Standing Orders – 27 March 2014
Terms of Reference and Delegations for Council, Committees, Sub-Committees and Advisory Panels – 28 November 2013

## ***Appendix 4 – Important notice***

- This report has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose.
- To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this Report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Service Providers. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.
- The statements expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
- This report is issued pursuant to the terms and conditions set out in our engagement letter and the Terms of Business attached thereto.

# Appendix 5 – HCC’s risk assessment framework

## Impact

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

## Likelihood

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

## Risk Matrix

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

## Risk Category

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

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### Governance Reporting – Internal Audit Assessment Status Update

Action	Status Update
<b>Provide support and training to report writers</b>	<ul style="list-style-type: none"> <li>• 52 staff members attended an initial tranche of one-day courses on Report Writing for Council during May-June 2016. Regular report writers were targeted for this first intake. The focus of the training is on planning, writing and reviewing of reports; from determining the reason why a specific report is brought to the Council, to ensuring the report is the best it can be (eg through using a unit peer review framework).</li> <li>• Additional Report Writing courses took place on 5 and 6 September 2016, with approximately 20 staff due to attend.</li> <li>• Proposed training programme developed for 2017 to include:               <ul style="list-style-type: none"> <li>- Report Writing to Council (additional and 'refresher' courses);</li> <li>- Reviewing Council Reports;</li> <li>- Business Writing;</li> <li>- Lunch-time learning sessions to cover key substantive elements in Council reports (eg Finance, Significance, Risks, LGA Compliance etc). To be mainly presented by in-house experts;</li> <li>- 1-on-1 independent assessments of reports at the request of staff or managers.</li> </ul> </li> <li>• In addition, IS recommend InfoCouncil training is rolled out for regular users focussing on writing, formatting and cloning InfoCouncil reports to address some of the consistent system errors encountered. Staff propose this training occurs at the same time as the roll out of the new report templates and/or the proposed upgrade of InfoCouncil.</li> </ul>
<b>Articulate expectations clearly and consistently across Council</b>	<ul style="list-style-type: none"> <li>• SLT session in May 2016 to discuss the training &amp; support programme and importance of culture change to embed an enhanced governance reporting framework.</li> <li>• A follow-up SLT session, focussing on the framework for reviewing reports and embedding 'best in class' governance culture, to take place on 4 October 2016.</li> <li>• Two documents have been drafted for the Chief Executive's review:               <ol style="list-style-type: none"> <li>a. Key Performance Indicators to measure and set consequences for non-compliance with Governance Report process and timeframes; and</li> <li>b. A set of general overarching Governance Guidelines to clarify roles and responsibilities of staff, management, the Democracy team and Elected Members.</li> </ol> </li> </ul>
<b>Develop and implement a new report template</b>	<ul style="list-style-type: none"> <li>• Significant research and benchmarking undertaken by the Democracy team as to report templates used by other territorial authorities, following on from initial work that had been undertaken in 2014.</li> <li>• Two new report templates drafted – for High and Low/Medium Significance matters – together with an embedded checklist and detailed Report Writing Guidance document. These were presented to staff-based focus groups and some Elected Members, and amended to reflect feedback provided.</li> <li>• Limited testing of new report templates was undertaken by staff members. Completed test reports, with feedback, presented and approved in principle by SLT.</li> <li>• Minor changes required to new report templates and associated documents in the testing environment. Live launch expected before the end of 2016 subject to stabilising ongoing system issues and the resource capacity in the Democracy team.</li> </ul>
<b>Establish clear governance reporting process</b>	<ul style="list-style-type: none"> <li>• New governance process from pre-agenda setting to agenda compilation developed and approved by the Chief Executive. Refer to Attachment 3. This is now used for the principal Council Committees.</li> </ul>

Action	Status Update
Develop and monitor performance metrics on the governance process	<ul style="list-style-type: none"> <li>• Performance metrics now captured by Democracy on: <ul style="list-style-type: none"> <li>- Delays to reports being authorised and reasons for delay;</li> <li>- Late Reports to Council and Committees;</li> <li>- Delays to agenda being compiled and circulated and reasons for delay;</li> <li>- Elected Member Attendance at meetings – this is a continuation of an existing measurement.</li> </ul> </li> <li>• It is intended the measurements will be used in conjunction with monitoring the governance report process and linking to the KPIs to be implemented by the Chief Executive.</li> </ul>
Upgrade software used for the preparation of reports, agendas and minutes	<ul style="list-style-type: none"> <li>• InfoCouncil and Adobe PDF converter upgrades completed in December 2015.</li> <li>• A higher spec computer has been made available to the Democracy team to mitigate ongoing technical issues with compiling agendas; there continues to be concerns as to the time taken by the technology to complete this part of the process however.</li> <li>• Upgraded computer hardware, together with roll out of GoDaa5, to be issued to the Democracy team.</li> <li>• A further upgrade to InfoCouncil software is proposed in early 2017 – this will better align with the version of Microsoft Word and operating system that Council uses, which appears to be the main cause of ongoing system errors encountered by staff when using InfoCouncil. IS staff are working with the software vendor as to recommended upgrade path options.</li> </ul>
Review IS personnel support for technology used in the governance reporting process	<ul style="list-style-type: none"> <li>• Project Manager and Business Analyst appointed to lead technology solutions for governance reporting issues, working closely with the Democracy team and the General Manager Corporate.</li> </ul>

## STAGE 1

**HCC STAFF AGENDA PREPARATION**  
+17 clear working days prior to Meeting

- 1
  - Agenda Setting Precis & Action List Completed by EA's and Report Writers
  - Approx. 17 clear working days in alignment with SLT Schedule
  - Detailed precis with outline of reports is required
- 2
  - HCC Report Direction and Review Meeting
  - Principal Advisor to the Committee, GMs, Unit Managers & Staff as applicable, Democracy
  - 15 clear working days

## STAGE 2

**ELECTED MEMBER AGENDA SETTING**  
10 clear working days prior to Meeting

- 3
  - Agenda Setting Precis to Chair and Principal Advisor
  - 12 clear working days
- 4
  - Elected Member Agenda Setting
  - Mayor/Chair/Deputy Chair as applicable, Principal Advisor to the Committee, Democracy and GMs (if required)
  - Agenda setting precis updated pos meeting by Democracy anmd circulated to GMs, EAs and Business Managers
  - 10 clear working days
- 5
  - Report Finalised for Chair review
  - General Manager authorised
  - 8 clear working days



PRINCIPAL ADVISOR TO RESOLVE

## STAGE 3

**CHAIR REVIEW**  
10 clear working days prior to Meeting

- 6
  - Chair review of Agenda and reports
  - Chair feedback given to Committee Advisor and Prindpal Advisor by 5pm
  - 7 clear working days
- 7
  - Reports revised, if required, as per Chair's feedback
  - 6 clear working days



REPORT WITHDRAWN

## STAGE 4

**AGENDA LOCKDOWN PERIOD**  
5 clear working days prior to Meeting

- 8
  - Final collation of Agenda
  - Advance copy of Agenda provided to Principal Advisor
  - 4 clear working days
- 9
  - Distribute Agenda to Elected Members
  - SLT advised of this by email
  - 3 clear working days
- 10
  - Agenda posted on website
  - 2 clear working days



LAST UPDATED: 6 September 2016  
TRIM: D-1981343





**Committee:** Audit & Risk Committee      **Date:** 13 September 2016  
**Report Name:** Audit NZ Interim Management Report for 2015/16      **Author:** Tracey Musty

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

## 1. Purpose of the Report

- The purpose of this report is to receive the Audit New Zealand Interim Management Report for 2015/16.

## Recommendation from Management

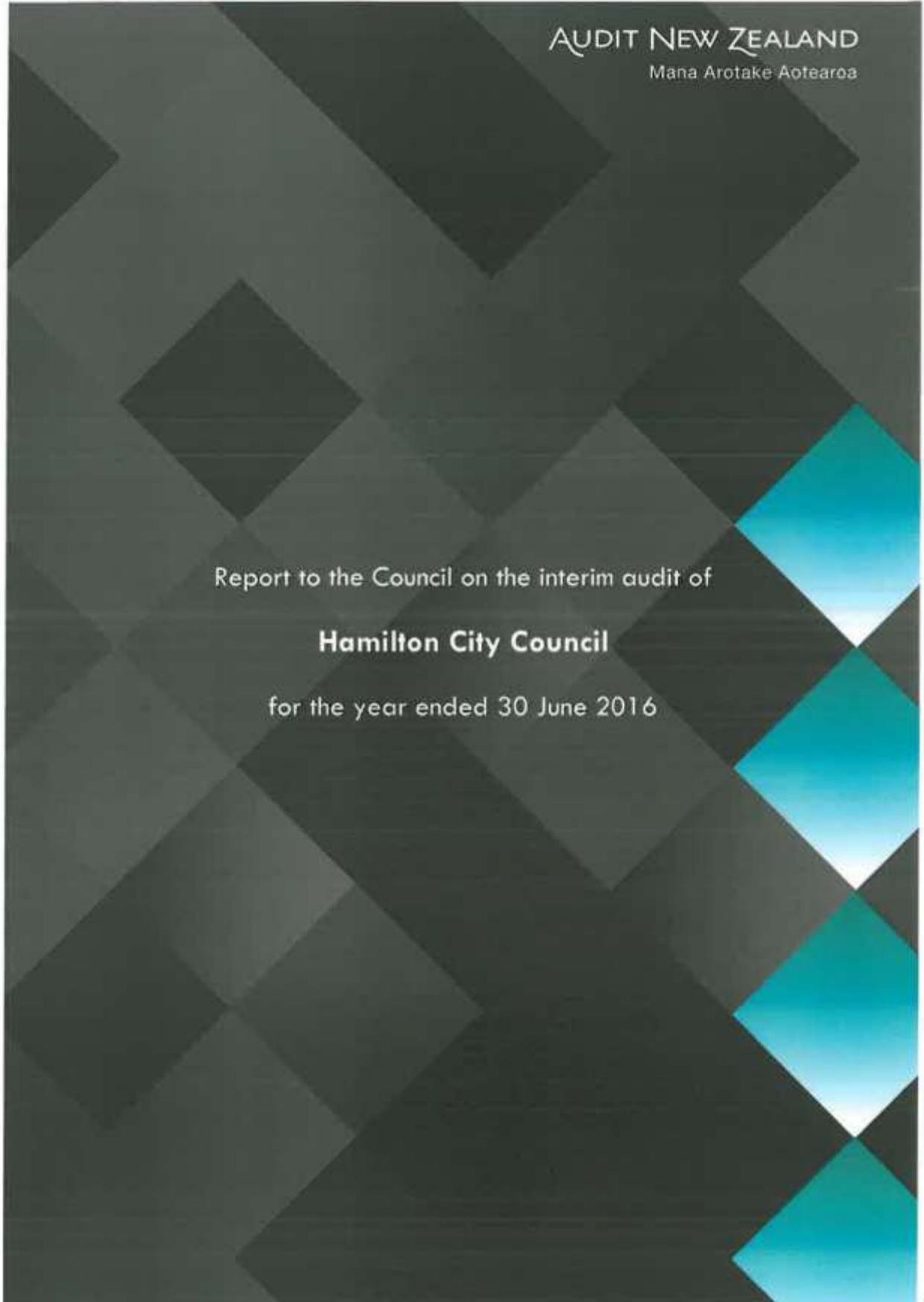
That the report be received.

## 3. Attachments

- Attachment 1 - Final Interim Audit Report 2016

## Signatory

Authoriser	David Bryant, General Manager Corporate
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## Key messages

### Purpose of the report

We have completed our interim audit of Hamilton City Council (the City Council) for the year ending 30 June 2016. This report sets out our findings from the interim audit and draws your attention to the recommendations that we believe are appropriate for the Council's attention.

### Work completed during our interim audit

Our main focus for the interim audit visits during April and June 2016 was to perform a high level review of the City Council's control environment and to evaluate the City Council's key internal control systems for financial and non-financial information. Overall we are satisfied that the control environment is effective for the purposes of undertaking an efficient and effective audit.

We also focussed on the areas that we are needing specific audit focus in our Audit Arrangements Letter dated 29 April 2016. Based on our work performed to date, our comments on these areas are summarised as follows:

- We are pleased to note significant effort has been put in to improve asset management practices at the City Council. An Asset Management Centre of Excellence has been established and this team has been driving a number of improvements this year. An Asset Management Organisational Improvement Programme has been implemented which draws on the recommendations that were raised in previous reports. This includes improvements of processes to ensure that work-in-progress for capital projects are better monitored and recorded timely.
- The Finance team also engaged with us early during the audit process after they completed a fair value assessment of the City Council's Property Plant and Equipment. Their assessment highlighted the need for a valuation to be performed on land and buildings due to a significant movements in the fair value. The water, stormwater and wastewater reticulations assets have also been revalued this year. We will review the valuations and the relevant accounting entries as part of our final audit.
- The sale of the Pensioner Housing took place in March 2016. Once all the disposal information is available to us, we will ensure that the disposal has been correctly treated in line with accounting standards.
- We have reviewed the systems and controls in place at the City Council around the new service performance measures that applies to the 2015-16 financial year. We have not identified any significant areas of concern to bring to your attention.
- We are pleased to note that, to ensure a smooth consolidation process at year end, the Finance team prepared Group Consolidation packs that have been distributed to the City Council's subsidiaries.

### New issues identified during the interim audits

The following table summarises our new recommendations from our interim audit and their priority (an explanation of the priority rating system can be found in Appendix 1):

Par.	We recommend	Priority
2.1	<b>Creditor masterfile change report</b> The creditor masterfile change report to be updated to include the nature of changes so that it can be reviewed for reasonableness. All new supplier changes and bank account changes independently reviewed against supporting documentation.	Necessary
2.2	<b>Creditor masterfile change made without prior approval</b> New supplier forms approved by the procurement manager prior to a changes made in the system.	Necessary
2.3.1	<b>Adoption of legislative compliance policy</b> The Legislative Compliance Policy formally approved by Council and made available to staff throughout the organisation.	Necessary
2.3.2	<b>Review of legislative compliance responsibility</b> In view of the recent changes in organisational structure and appointment of new key personnel, Council to consider a review of legislative requirements applicable to Hamilton City Council and consider ways to ensure that staff are aware, and take ownership, of responsibilities applicable to them.	Necessary
3.1	<b>Dynamics AX user profiles</b> Improvements made to the internal control procedures for adding and removing users, and implement procedures to manage changes to delegated authorities in the AX Dynamics system.	Necessary
3.2	<b>Recording of IT assets and their antivirus status</b> Priority given to ensure that all Council's desktops are recorded, managed and updated with antivirus updates.	Necessary
3.3	<b>Regular patching of City Councils desktops</b> Monthly patching of desktops reinstated to ensure improved security to the City Council information.	Necessary

### Monitoring of previous audit recommendation

In a previous year, the City Council implemented the use of an Organisational Improvement Plan in which action plans for recommendations from various sources are listed and monitored in a register. The Organisation Improvement Plan Register (OIPR) forms part of the standard items presented to the Audit and Risk Committee for monitoring purposes. As mentioned before, the newly established Asset Management Centre of Excellence prepared an Asset Management Organisational Improvement Programme (AMOIP). This programme, amongst other things, captures and consider recommendations that are relevant to this Centre.

We followed up on the progress the City Council has made in addressing recommendations that we made in our annual audits as well as the 2015-25 Long Term Plan audit. Of the 32 matters outstanding in our previous report, 13 matters have been cleared; 18 have been actioned and are in progress; and one matter remains outstanding. In addition to this, the seven matters raised during 2015-25 Long Term Plan (LTP) audit have been actioned and are being addressed as part of the AMOIP.

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A further analysis on the status of previous audit recommendations is in section 4 of this report and details are provided in the Appendices.

**Thank you**

We would like to thank the Council, management and staff for their assistance during the interim audit



Leon Pieterse  
Audit Director  
6 September 2016

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It will be better practice that all new supplier changes and bank account changes are independently reviewed against supporting documentation to ensure all changes made are valid.

We recommend that the creditor masterfile change report should be updated to include the nature of the change so the entire population of this type of changes can be identified and for review purposes.

#### **Management comment**

*The creditor masterfile change report shows where bank accounts have been changed or created within the creditor masterfile. In future all new supplier and bank accounts changes will be independently reviewed.*

### **2.2 Masterfile change made without approval**

During our sample testing of controls, we identified one new supplier form that had not been signed off by the procurement manager prior to the procurement staff updating the new supplier in the system.

This creates a risk that the procurement team could make an invalid changes to the supplier masterfile without receiving the appropriate approval.

For the City Council, it is standard procedure to ensure that all new suppliers are approved by the procurement manager prior to making a change in the system.

We recommend that management ensure that the new supplier forms are approved by the procurement manager prior to a change being made in the system. The procurement team should be reminded not to process the change until this approval has been given.

#### **Management comment**

*Agreed. Whilst we believe this is an isolated instance we accept the audit recommendation. The procurement team will also be reminded not to process the change until this approval has been given.*

### **2.3 Legislative compliance**

Our review of the City Council's compliance with legislation is focussed on the matters that may have an impact on our audit opinion. Our review should not be seen as assurance given for compliance with all legislation applicable to the City Council. For audit purposes, we use standard legislation checklists and we do not rely on controls that the City Council may have in place to ensure compliance to legislation.

During our review of the control environment, we noted the following matters for the Council to consider:

#### **2.3.1 Adoption of legislative compliance policy**

We have noted that the City Council has a draft legislative compliance policy in place. At time of or review, this policy has not been formally adopted.

We recommend this policy be formally approved and made available to all staff throughout the organisation.

**Management comment**

*The policy will be formally adopted by 1 December 2016.*

**2.3.2 Review of legislative compliance responsibility**

Given there has been a number of changes in the City's Council organisation structure. We noted that no formal review around the legislative compliance responsibility has taken place since the change.

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.

**Management comment**

*Work is currently underway to address this issue and will be cleared by 1 December 2016.*

**3 IT controls**

**3.1 Dynamics AX user profiles**

We noted during our review of Dynamics AX financial system user access that there were staff who had been assigned incorrect profiles in the system and staff who had left but not removed.

We also noted that staff are disabled in the system but not removed when they leave the City Council, and that the workflow which manages delegated authority approvals is not working correctly because staff changes have not been updated in the workflow system.

We discussed these with the Procurement Manager and corrections have now been made to the profiles.

We understand that staff are working to correct the workflow for delegated authorities.

We recommend improvements are made to the procedures for adding, removing users and managing changes for delegated authorities in Dynamics AX. Supporting documentation should also maintained for changes being made to delegations during the year.

Given the amount of change that City Council has undergone recently, a full review of all roles should be performed in Dynamics AX and Authority (Item 328).

**Management comment**

*Improvements to processes governing user access have been identified and implemented. A full review of system user profiles is being completed to ensure all users are current staff members and have appropriate access levels to match role responsibilities.*

**3.2 Recording of IT assets and their antivirus status**

The monthly Fujitsu report contains inconsistencies in numbers of IT assets owned by the City Council, raising the risk that not all IT devices are being updated with antivirus software and may not be patched on a regular basis.

Fujitsu have acknowledged this and are working on a project to improve asset recording and reporting.

This is part of the project to move to Desktop as a Service.

We recommend priority should continue to be given to ensuring all the City Council's desktops are recorded, managed and updated with antivirus updates and patches. (Item 330 in the Organisational Improvements Programme Register).

**Management comment**

*Noted. A patching cycle has been implemented to correct the compliance levels for desktop patching. Antivirus updates are now fully enabled on all discoverable desktops.*

**3.3 Regular patching of the City Council's desktops**

Patching of the City Council's desktop devices is not being completed. This has been raised with Fujitsu and a project is underway to commence patching.

We recommend monthly patching of desktops needs to be reinstated to ensure improved security of the City Council information (Item 331).

**Management comment**

*Agreed. The regular patching of desktops has now been reinstated and will occur monthly.*

**4 Summary of previous recommendations**

The following is a summary of the status and action taken to monitor recommendations outstanding in our previous report:

**Matters raised during previous annual audits:**

Recommendations	Number of matters raised	Number of these matters tracked in the OIPR	Number of these matters covered in the AMOIP
Raised during prior audits and now cleared	13	8	0
Raised during prior annual audits and being progressed	11	9	6
Raised during prior audits with no progress	1	1	0
<b>Total</b>	<b>25</b>	<b>18</b>	<b>6</b>

Please refer to Appendix 2 and 3 for details.

**Matters raised during the 2015-25 LTP audit:**

Recommendations	Number of matters raised	Number of these matters these tracked in OIPR	Number of these matters covered in AMOIP
Raised during LTP audit and being progressed	7	7	7
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>

Please refer to Appendix 4 for detail.



## Appendix 2: Status of recommendations cleared

The following thirteen matters raised during previous annual audits have been cleared. Some of these matters were tracked in the OIPR and where applicable we provided a reference to the item number in the register.

Recommendation	Outcome	Year(s) raised	OIPR item
<p>Liability management policy</p> <p>We recommended that City Council introduce processes to ensure such breaches do not occur in future.</p>	<p>During our review of the City Council compliance with the Treasury Policy, we identified two potential breaches of the policy during the year. The Policy now allows the City Council 90 days to correct any issues. The breaches have been reported to the finance and audit committees. The only reason for the breach was the City Council paid off debt quicker than expected which is resulted in the percentage of fixed and floating not being consistent with policy limits. The City Council is expected to be in full compliance by 30 June 2016. We are satisfied there is adequate monitoring in place to address the issue.</p> <p>Matter cleared</p>	<p>2014 2015</p>	<p>320</p>

Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016

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Recommendation	Outcome	Year(s) raised	OIPR item
<p><b>Sensitive expenditure policies</b></p> <p>We recommended sensitive expenditure policies are regularly reviewed to ensure they continue to be appropriate.</p>	<p>From our review, of sensitive expenditure policies this year we have noted a number have been reviewed. These include but are not limited to:</p> <ul style="list-style-type: none"> <li>Hospitality and entertainment policy (approved in August 2015);</li> <li>Gift and Hospitality policy (will be approved in September 2016);</li> <li>Koha and Donations policy (approved in May 2015);</li> <li>Travel management policy (approved in June 2015);</li> <li>Remuneration and benefits policy (approved February 2015); and</li> <li>Fleet management policy (approved July 2015).</li> </ul> <p><b>Matter cleared</b></p>	<p>2013 2014 2015</p>	<p>321</p>
<p><b>Procurement (purchasing and contract management)</b></p> <p>We recommended that the City Council ensures all the contract information is updated in the system and this system is used to generate contract registers that are regularly monitored. This will help with preparation of the annual accounts for capital commitments and work in progress in the future.</p>	<p>All the contract information is now up to date in the system and this system is used to generate contract registers that is regularly monitored.</p> <p><b>Matter cleared</b></p>	<p>2014 2015</p>	<p>Unknown</p>

Recommendation	Outcome	Year(s) raised	OIPR item
<b>Monthly creditor masterfile change report</b>			
We recommended the City Council considers running the creditor masterfile change report on a monthly basis. An independent reviewer should then match changes to supporting documentation. This report should be signed and dated to evidence the review.	We note that a monthly creditor masterfile change report is being prepared and independently reviewed. <b>Matter cleared</b>	2015	Unknown
<b>Payroll masterfile changes</b>			
We recommended the City Council ensure the monthly payroll masterfile audit report is being independently reviewed each month. The person reviewing the monthly payroll audit report should be independent from those payroll staff members who have access to make the payroll changes.	All payroll staff will check the payroll audit report against any changes made in the masterfile and the rates team leader now independently reviews the audit report. <b>Matter cleared</b>	2015	Unknown
<b>Tradewaste revenue calculation</b>			
We recommend all the fields are updated in the Authority system with any change to Bylaws. A sample of invoices should be manually calculated to check if they are being correctly calculated.	From our review of the trade waste invoicing, we identified no issues. A sample of invoices are being manually calculated to check to ensure they are being correctly calculated. <b>Matter cleared</b>	2015	313
<b>System issues at Waterworld</b>			
We recommended that the internet connections issues are addressed. This will reduce the number of variances being noted between the system and daily cash takings.	During our review of the cash receipting processes, we identified that the internet connection issues have now been addressed. We noted no variances in the daily cash reconciliations. <b>Matter cleared</b>	2015	Unknown

Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016

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Recommendation	Outcome	Year(s) raised	OIPR item
<p><b>Sensitive expenditure</b></p> <p>We recommend that staff are regularly reminded of the policy and adhere to the policy. The City Council could also consider making an alteration to the policy wording, to cater for instances where it may not be possible for staff to use a current fuel provider station.</p>	<p>During our testing of sensitive expenditure this year, we did not note any further issues. The City Council has maintained the current policy wording.</p> <p><b>Matter cleared</b></p>	2015	Unknown
<p><b>IT controls - Management of users remote access</b></p> <p>We recommend that the City Council should implement stronger controls for remote access to its network and applications.</p>	<p>Remote access now requires Manager's approval as the City Council moves to Government Desktop as a Service and Council looks to reduce the number of software licences.</p> <p>As part of the changeover a full review of licences, including remote users is being completed.</p> <p>The City Council should continue to ensure remote access is only provided to users who require that access and that it is terminated when a user leaves.</p> <p><b>Matter cleared</b></p>	2015	31B
<p><b>Group consolidations</b></p> <p>We recommended that the City Council ensure good communication with its subsidiaries to ensure that all the required adjustments are being processed on a timely basis in the consolidated financial statements.</p> <p>We encourage the City Council to monitor changes between NZ IFRS and PBE IPSAS standards on a continuous basis as some changes could affect the consolidation process going forward.</p>	<p>The group consolidation process has improved. Staff have prepared and will distribute a group consolidation reporting pack to each entity to request the necessary information and supporting documentation to ensure an accurate and efficient consolidation process.</p> <p><b>Matter cleared</b></p>	2015	304

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**AUDIT NEW ZEALAND**  
Mena Avokete Aotearoa

Recommendation	Outcome	Year(s) raised	OIPR item
<b>Statement of service performance</b>			
We recommended that the City Council establish control to ensure information entered into Hansen 8 for reporting against water and wastewater measures are correct.	The Rectification Team Leader is now completing monthly independent review of data entered into Hansen 8 to ensure that the information is accurate by identifying any irregularities. Matter cleared	2015	310
<b>Legislative compliance</b>			
In order to address the risk of non-compliance with laws and regulations, we recommend that the City Council consider incorporating legislation compliance as part of the internal audit programme.	We have not noted any further breaches in legislation this year. Council have chosen for legislative compliance not to be formally reviewed by internal audit. Matter cleared	2015	314
<b>Conflicts of interest</b>			
We recommended that the interest register should be updated at least annually. The City Council staff interest register was last updated in June 2013.	We noted that the City Council staff interest register and the elected members interest register were updated during the year. Matter cleared	2014	322

**Appendix 3: Status of recommendations in progress or outstanding**

**Matters outstanding**

The following eleven matters raised in previous annual audits have been actioned and are in progress. Some of these matters were tracked in the OIPR and AMOIP.

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
<b>Plant, property and equipment – work in progress</b>						
We recommended that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We recommended that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	This has been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. A significant amount of work has been completed to ensure that assets are being capitalised in the fixed asset register. We have noted a significant improvement but still foresee this as being an issue at our interim audit visits. <b>In progress</b>	Urgent	Expected completion date 30 June 2016.	2014 2015	305	Yes

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
<b>Plant, property and equipment – timely capitalisation of vested assets</b>						
We recommended that asset managers provide information to the finance team (asset accountant) on a monthly basis to ensure vested assets are capitalised in a timely manner.	This has been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. A significant amount of work has been completed to ensure that there is no vested asset work in progress at year end. <b>In progress</b>	Urgent	Expected completion date 30 June 2016.	2015	306	Yes
<b>Plant, property and equipment – monthly reconciliations</b>						
We recommended the City Council ensures disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.	This has been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. Monthly reconciliations have been performed in November 2015, March and May 2016. We expect this to be completed on a regularly basis going forward. <b>In progress</b>	Urgent	Expected completion date 30 June 2017.	2015	307	Yes

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
<b>Statement of Service Performance – Interruptions to service measures</b>						
We recommended the City Council implement appropriate processes to ensure that the data within the Hansen 8 system is accurate and evidence made available to place reliance on the system.	This has been incorporated as part of the AMOIP (Recommendation 7) and will be monitored as part of this programme. <b>In progress</b>	Urgent	Expected completion date 30 June 2017.	2015	309	Yes
<b>General ledger reconciliations</b>						
In 2013, our review of monthly reconciliations identified the following exceptions: <ul style="list-style-type: none"> <li>The April 2013 property, plant and equipment reconciliation had not been reviewed.</li> <li>The December 2012 bank reconciliation had not been reviewed in a timely manner. The reconciliation was prepared in January 2013 and reviewed in February 2013.</li> </ul>	From our review of monthly reconciliations, we identified the following: <ul style="list-style-type: none"> <li>Based on our review of the suspense account reconciliations, we have identified that these were either not prepared in a timely manner or not reviewed independently.</li> <li>We noted the December 2015 reconciliation had not been prepared until February 2016 and was not independently reviewed.</li> </ul>	Necessary	New processes have been put in place to improve monitoring of reconciliation processes.	2013 2014 2015	319	N/A

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
<p>We recommended reviews of general ledger reconciliations be carried out in a timely manner.</p> <p>In 2014, for PPE reconciliation, we noted the reconciliations were not dated by either the preparer or reviewer.</p> <p>In 2015, suspense accounts were not always prepared or dated. Fixed asset reconciliations were not prepared until March 2015. Bank reconciliations could not be found.</p>	<p>The February 2016 was not independently reviewed until April 2016.</p> <ul style="list-style-type: none"> <li>The fixed asset reconciliations were only prepared for November 2015 and March 2016 onwards. These reconciliation had not been independently reviewed.</li> </ul> <p><b>In progress</b></p>					
<p><b>Sensitive expenditure</b></p> <p>We recommended the Gifts and hospitality policy could be strengthened by requiring the receipt of gifts, except for inexpensive gifts are openly distributed by suppliers and clients, to be disclosed, to be recorded in a gifts register, and to remain the property of the entity.</p>	<p>We have noted that the Gifts and Hospitality policy will now be incorporated into a new Gifts, Hospitality and Entertainment Policy. A gift register is also being set up to record these gifts. The policy is not due to be completed until the end of September 2016.</p>	Necessary	This will be completed by the end of September 2016.	2014 2015	Not recorded	N/A

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
The policy should also define "infrequent" and "inexpensive" in relation to receiving gifts.	In progress					
<b>Payroll system</b>						
We recommended that payroll staff should ensure that the variable data report are independently reviewed on a regular basis.	We noted from our review of payroll this year, the variable data report was not always independently reviewed when staff were on leave. <b>In progress</b>	Necessary	Staff agree that supervision to ensure the control operates is required. Managers have been reminded to ensure key controls are in place at all times (including when staff are on leave).	2014 2015	Not recorded	N/A
<b>H3 events internal controls</b>						
We recommended that the City Council perform an internal review over revenue and expenditure systems to identify areas where the internal controls can be improved.	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 if the amount invoiced would be incorrect.	Necessary		2015	315	N/A

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
	<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.</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> <p>In progress</p>					
<b>IT controls - No Organisational Business Continuity Plan or IT Disaster Recovery Plan</b>						
We continue to recommend that the City Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans.	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.	Necessary	This is also underway and a more comprehensive disaster recovery plan will be developed once the Business Impact analysis has been completed by the Risk Management team.	2015	329	N/A

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
	<p>During the year the Azure datacentre was down for one day and there was no backup service available to the City Council.</p> <p>Responsibility for Organisational Business Continuity lies with another area within the City Council.</p> <p>We continue to recommend that the City Council develops and tests organisational business continuity and IT disaster recovery plans.</p> <p>In progress</p>					
<b>Property, plant and equipment</b>						
<p>Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report.</p>	<p>This has been incorporated as part of the Asset Management Organisational Improvement Programme (AMOIP) (Recommendation 31) and will be monitored as part of this programme.</p> <p>In progress</p>	Necessary	<p>Expected completion date 1 January 2026.</p>	2014 2015	243	Yes

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
<b>Plant, property and equipment – completeness of information in Hansen 8</b>						
We recommended the City Council ensures all the parks, gardens and building assets are added to the Hansen 8 system so information is all maintained and processed within one database.	This has been incorporated as part of the AMOIP (Recommendation 31) and will be monitored as part of this programme. In progress	Beneficial	Expected completion date 30 June 2017.	2015	308	Yes

Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016

**Matter outstanding**

The following matter raised during a previous annual audit is still outstanding. The matters is tracked in the OIPR

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item number	AMOIP
<b>IT controls - Adding and removing users from network and applications</b>						
We recommended to ensure security of the City Council information, managers need to advise IT when any users leave the City Council - including staff, contractors and fixed term engagements. Managers need to be reminded of their responsibilities with regards security. End dates should be entered into the City Council's systems where fixed term engagements or contracts are in place.	We noted that the process for adding and removing users is still not always being followed correctly. We were unable to confirm that access had been removed promptly when two Group Managers left this year. Another fixed term person had not had her access removed due to IT not being notified. <b>Matter outstanding</b>	Necessary	It is understood that there are some short comings of the new workflow management tool and that some manual activities are required to complete the off boarding process in the interim. Routine quality checks that ensures the manual processes are being completed are being hampered by resource capacity constraints. This is not currently a high risk as security access is being managed at higher level. There is still concern relating to licensing which is being addressed.	2015	317	N/A

### Appendix 4: Status of recommendations from the LTP in progress

The following issues raised in previous audits have been addressed by the Asset Management Centre of Excellence and are covered in the AMOIP. This includes the seven issues raised during the 2015-15 LTP audit. These matters are also tracked in the OIPR (references provided):

Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<b>Content of the infrastructure strategy</b>						
In order to improve the Infrastructure Strategy further, we recommended that the following areas are considered for future strategy preparation processes:	This has been incorporated as part of the AMOIP (Recommendation 8, 20, 22, 24) and will be monitored as part of this programme. The recommendations will be considered as part of the development of the new strategy in 2017. In progress	Necessary	Expected completion date 1 December 2017.	2015	266	Yes
<ul style="list-style-type: none"> <li>an indication of the quality of information held by the City Council about the age, descriptions, condition, and performance of infrastructural assets;</li> </ul>						

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Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<ul style="list-style-type: none"> <li>summary of historical expenditure for key asset types to provide a benchmark for future expenditure levels;</li> <li>proposed funding strategies for planned expenditure, for example, stating what changes are proposed (if any) in how services are funded going forward;</li> <li>identification of any planned deferral of expenditure, the consequences of that deferral and the City Council's planned response;</li> <li>Council's intended approach for delivery of services to maintain the assets and build new assets;</li> </ul>					267  268  269  270	Yes  Yes  Yes  Yes

Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<ul style="list-style-type: none"> <li>any significant changes in the way assets will be managed over time compared to the current arrangements; and</li> <li>any expected changes in technical, legislative or regulatory requirements and City Council's response to those changes.</li> </ul>					271	Yes
<ul style="list-style-type: none"> <li>performance measures for AM such as timeframes for reviews, community consultation;</li> </ul>					272	Yes
<b>Contents of the Asset Management Policy</b>						
<p>We recommended the City Council should consider updating its AM policy to incorporate guidance on:</p> <ul style="list-style-type: none"> <li>performance measures for AM such as timeframes for reviews, community consultation;</li> </ul>	<p>This have been incorporated as part of the AMOIP (Recommendation 2) and will be monitored as part of this programme. A review of the asset management policy is currently being undertaken.</p> <p><b>In progress</b></p>	Necessary	Expected completion date 1 August 2016.	2015		
					273	Yes

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for the year ended 30 June 2016

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Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<ul style="list-style-type: none"> <li>procedures for audit and review; and</li> <li>contribution of AM to the City Council's sustainable development objectives.</li> </ul>					274 275	Yes Yes
<b>Process for deciding on required level of asset management practice</b>						
Council should amend the AM Policy to provide clearer direction for each activity as to which aspects of AM the lower level is acceptable and which parts are expected to be at the higher level.	This have been incorporated as part of the AMOIP (Recommendation 2) and will be monitored as part of this programme. A review of the asset management policy is currently being undertaken. In progress	Necessary	Expected completion date 1 August 2016.	2015	276	Yes

Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<p><b>Improvement planning</b></p> <p>Council should ensure that issues identified from the independent peer reviews are incorporated into the AM Improvement Plans. We also encourage the City Council to continue with assigning appropriate time and resource to enable the tasks identified in the 2015 AMP Improvement programme to be undertaken.</p>	<p>This have been incorporated as part of the AMOIP (Recommendation 33) and will be monitored as part of this programme. An Asset Management Improvement Plan has been developed and is monitored by the Asset Management Sponsor Team and progress reported to Senior Leadership Team on a bi-monthly basis.</p> <p><b>In progress</b></p>	Necessary	Expected completion date <b>1 August 2016.</b>	2015	277	Yes

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Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<p><b>Reliability of asset data</b></p> <p>Council needs to ensure that it obtains a complete set of asset attributes, condition ratings and performance data for all asset components in the water treatment plants/reservoirs and wastewater treatment plant/pump stations. This data should be held in the City Council's AM system and periodically updated so that reliable information is available to generate future operating and capital programmes and to reduce the reliance upon informal anecdotal evidence.</p>	<p>Consultants support has been engaged for the implementation of BIM modelling for treatment plants. This have been incorporated as part of the AMOIP (Recommendation 31) and will be monitored as part of this programme. <b>In progress</b></p>	<p>Necessary</p>	<p>Expected completion date <b>1 January 2019.</b></p>	<p>2015</p>	<p>278</p>	<p>Yes</p>

Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<b>Asset condition and performance</b>						
We recommended that the business process for inputting data into the AM system is amended so that the original condition and performance ratings are incorporated into the information loaded. This will enable optimal decisions to be made about the maintenance and renewal of those assets in future budget rounds.	This have been incorporated as part of the AMOIP (Recommendation 1) and will be monitored as part of this programme. <b>In progress</b>	Necessary	Expected completion date 1 December 2016.	2015	279	Yes
<b>Valuation of water and wastewater</b>						
We recommend that the City Council ensures reliable information is recorded in its AM system so as to ensure that the current shortcomings in the valuation of treatment plant assets can be rectified as soon as practicable.	Consultants support has been engaged for the implementation of BIM modelling for treatment plants. This have been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. <b>In progress</b>	Necessary	Expected completion date 1 January 2019.	2015	280	Yes

**Committee:** Audit & Risk Committee      **Date:** 13 September 2016  
**Report Name:** Annual Report 2015/2016 and Audit NZ Clearance      **Author:** Tracey Musty

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Annual Report 2015/16</i>
<b>Financial status</b>	<i>There is no budget allocated</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- The purpose of this report is to obtain a recommendation that the 2015/16 Annual Report be adopted by Council.

## Recommendations from Management

That:

- the report be received; and
- the Audit and Risk Committee recommends to Council the adoption of the Annual Report 2015/16.

## 3. Attachments

Attachment 1 - Audit NZ Annual Report Memo

Attachment 2 - Annual Report 2015/16 (*Under Separate Cover*)

Attachment 3 - Annual Report Summary (2015/16) (*Under Separate Cover*)

## 4. Discussion

- The Annual report is a requirement under the Local Government Act 2002. The report has been prepared and is compliant with all applicable accounting standards.
- The 2015/16 Annual Report has been circulated under separate cover for review prior to this meeting.
- Audit New Zealand have completed an audit of the 2015/16 Annual Report.
- No significant issues have been identified.

- 9. Audit New Zealand will be providing a verbal clearance to the Committee that the report is compliant and fairly reflects Council’s financial position for the year ended 30 June 2016.

**Signatory**

Authoriser	David Bryant, General Manager Corporate
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**Hamilton City Council****Update to the Audit Committee - 13 September 2016 (dated 6 September 2016)****Audit update**

Overall, we are comfortable with the annual report process and we expect to issue an unmodified audit opinion on the adopted annual report once our final audit reviews over the updated annual report is completed. We will provide a verbal update at the meeting.

We have discussed our detailed findings with management during the audit and these will be reported in greater detail as part of our final management report.

Please consider the items under "General Discussion" below and update us on anything that we should be aware of in relation to Subsequent Events, Fraud, Related Parties (disclosure) and Legislative Compliance.

**Areas of audit emphasis**

Subject to final reviews, we are materially comfortable with the following areas of focus which were reported in our Audit Arrangements Letter dated 29 April 2016:

- Plant, property and equipment;
- Service performance information;
- sale of pensioner housing; and
- group consolidations.

**Audit progress**

- Improvements in timing and delivery of information have been beneficial to this year's audit.
- Information underlying non-financial performance and work in progress has improved as a result of increased focus from management in this area.
- We are continuing to work through our final reviews of the audit and will provide a verbal update at the meeting.

**Independence**

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

**Progress against key deliverables**

<b>Detail</b>	<b>Agreed</b>	<b>Actual / Estimated</b>
Draft Financial Statements available to Audit	8 August 2016	8 August 2016
Final financial statements available to Audit	24 August 2016	24 August 2016
Annual Report available	24 August 2016	Outstanding
Verbal audit clearance	2 September 2016	13 September 2016
Adoption of the Annual Report (and audit opinion issued)	23 September 2016	29 September 2016
Management Report:		
• Draft	16 September 2016	16 September 2016
• Final	3 October 2016	28 September 2016

**General discussion (based on our Engagement Letter)****Subsequent events**

Please let us know if you are aware of any circumstances that could impact on, or should be disclosed in, the Annual Report that happened since year end up to the adoption of the Annual Report.

**Fraud**

- Please let us know if you are aware of any actual or suspected frauds.
- We have received fraud questionnaires and specific representation in the letter of representation about your responsibility to ensure systems and controls are in place to mitigate or detect fraud.

**Related parties**

Please ensure you are comfortable with the Related Party disclosure in the Financial Statements. If not, please inform us.

**Legislative compliance**

It is the responsibility of The Council to ensure compliance with legislation.

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

## Resolution to Exclude the Public

### Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Audit and Risk Committee - Public Excluded Minutes - 8 June 2016	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Audit and Risk Committee - Public Excluded Action List - 13 September 2016	) Official Information and Meetings Act 1987	
C3. Overdue Debtor - Review of Account		
C4. Investigation of Fraudulent Transactions Involving HCC Purchasing Card		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to maintain legal professional privilege	Section 7 (2) (g)
Item C4.	to protect the privacy of natural persons	Section 7 (2) (a)