

Notice of Meeting:

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

Date: Thursday 14 June 2018
Time: 9.30am
Meeting Room: Committee Room 1
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Audit & Risk Committee OPEN AGENDA

Membership

Chairperson: External appointee - Paul Connell

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

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

Quorum: Four members (including one external appointee)

Lee-Ann Jordan
Governance Manager

6 June 2018

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Purpose:

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
2. Ensuring Council fulfils its legal responsibilities.
3. Monitoring the Council's external and internal audit process.
4. Ensuring the independence and effectiveness of Council's Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
6. Providing a communication link between management, internal auditors/external auditors and Council.
7. Supporting measures to improve management performance and internal controls.

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

Terms of Reference:

External Audit

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

Internal Audit

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

Other Matters

9. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks.
10. Review the effectiveness of the systems for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), Council's own standards, and best practice guidelines, including on health and safety.
11. Engage with internal and external auditors on any specific one-off audit assignments.

12. Conduct and monitor special investigations in accordance with Council policy and approved budget, including engaging expert assistance, on matters within its Terms of Reference.

The Committee is delegated the following recommendatory powers:

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

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Council appoints the external members of the committee; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election.
- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.

Oversight of Policies:

- *Risk Management Policy*

- 1.

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

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

4 Public Forum

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

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

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

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

Council Report

Committee: Audit & Risk Committee **Date:** 14 June 2018
Author: Rebecca Watson **Authoriser:** Becca Brooke
Position: Committee Advisor **Position:** Governance Team Leader
Report Name: Confirmation of Audit and Risk Committee Minutes - Open - 8 March 2018

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

That the Committee confirms the Open Minutes of the Audit and Risk Committee Meeting held on 8 March 2018 as a true and correct record.

Attachments

Attachment 1 - Audit and Risk Committee Minutes - Open - Unconfirmed - 8 March 2018 .

Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Thursday 8 March 2018 at 9.30am.

PRESENT

Chairperson: Paul Connell

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

In attendance: Richard Briggs – Chief Executive
David Bryant – General Manager, Corporate
Aaron Steele – PWC
Sharon Cresswell – PWC
Nigel Ward – Communications Team Leader
Andre Chatfield – Risk and Insurance Manager
Andrew McFayden – Health and Safety Assurance Lead
Mike Lamb – Chief Information Officer
Russell Hynd – Finance Manager
Leon Pieterse – Audit Director of Audit NZ
Jared Williams – Audit NZ Manager
Jessica Ashworth – Executive Assistant
Dan Finn – People, Safety and Wellness Manager

Rebecca Watson – Committee Advisor

1. Apologies

There were no apologies.

Audit & Risk Committee 8 MARCH 2018 - OPEN

2. Confirmation of Agenda

Resolved: (Crs Macpherson/Southgate)

That the agenda is confirmed, noting that Item 10 (*Annual Report 2018 Planning Update*) would be taken ahead of Item 6 (*2018 Audit and Risk Report Schedule*) to accommodate presenter availability.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

There were no public forum speakers.

5. Confirmation of Audit and Risk Minutes - Open - 18 December 2017

Amendment made to Item 4 (*Public Forum*). Mr Peter Bos, Public Forum speaker, requested that his wording from the previous meeting be updated.

Cr Mallett raised in Item 10 (*Risk Management Report*) that financial strategy failure should remain on the Material Risks Register.

Resolved: (Crs Macpherson/Mallett)

That the Committee confirms the Open Minutes of the Audit and Risk Committee Meeting held on 18 December 2017 as a true and correct record, noting two amendments (as above).

6. 2018 Audit and Risk Committee Report Schedule

The General Manager, Corporate spoke to the schedule of reports and answered questions from Committee Members regarding the frequency of some reports, and the appointment of external members to the Audit and Risk Committee.

Resolved: (Mr Connell/Cr Mallett)

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

7. 2017/18 Internal Audit Update Quarter Two

The Finance Manager, along with staff from PWC spoke to the report and answered questions from Committee Members regarding what types of cyber security risks to critical infrastructure could occur, and capitalisation of assets.

The process of collating asset management plans, and the prevention of schedules from falling behind was discussed.

Resolved: (Crs Mallett/Southgate)

That the Audit and Risk Committee receives the report.

8. Organisational Improvement Programme Update

The Risk and Insurance Manager spoke to the report, and responded to questions from Committee Members concerning the H3 accounting system, and the proposed Infrastructure Team Lead role.

Action: Staff undertook to explore options for the layout of the report to make it easier to read and understand, as well as adding years to any dates to make identifying timeframes easier.

Resolved: (Mr Connell/Cr Mallett)

That the Audit and Risk Committee receives the report.

9. Risk Management Report

The Risk and Insurance Manager spoke to the report and responded to questions from Committee Members concerning how follow up actions were undertaken, as well as the difference between rankings of risk of serious injury or death versus the risk of serious harm.

Resolved: (Cr Macpherson/Ms Horne)

That the Audit and Risk Committee receives the report.

Audit & Risk Committee 8 MARCH 2018 - OPEN

10. Annual Report 2018 Planning Update

The General Manager, Corporate and staff from PWC spoke to the report, highlighting that a workshop was planned to take place with Committee Members once the Annual Report had been drafted.

Staff responded to questions from Committee Members concerning:

- Materiality of risks reported in the Annual Report
- Compliance and legal validity of rating
- Processes for the detection of fraud

Action: Staff undertook to circulate the link to the management policy concerning the expenditure for Elected Members.

Resolved: (Crs Southgate/Macpherson)

That the Audit and Risk Committee receives the report.

11. Fitch Credit Rating

The Finance Manager spoke to the report, and responded to questions from Committee Members concerning the benchmarking of the City against others of comparable size, as well as differences between fixed interest rates and hedged rates. The General Manager, Corporate spoke to the report's focus around debt to revenue ratio.

Committee Members congratulated staff on maintaining the AA- rating, as this had significant positive material impact on rates of borrowing and other financial areas.

Resolved: (Mr Connell/Cr Pascoe)

That the Audit and Risk Committee receives the report.

12. Safety and Wellness Report

The People Safety and Wellness Manager spoke to the report, highlighting that Health and Safety performance remains steady, and that a recent focus of the organisation had been on the impact of heat on workers.

Staff responded to questions from Committee Members concerning:

- Reporting of mental health issues such as stress and bullying, which was confirmed as being stated through this report
- Drug and alcohol testing regime in the organisation
- Tracking of absenteeism

Action: Committee Members requested information around what programmes were in place to ensure standards of behaviour, particularly around sexual harassment.

Resolved: (Crs Southgate/Pascoe)

That the Audit and Risk Committee receives the report.

Meeting declared closed at 12.28pm.

Council Report

Committee:	Audit & Risk Committee	Date:	14 June 2018
Author:	Andre Chatfield	Authoriser:	David Bryant
Position:	Risk and Insurance Manager	Position:	General Manager Corporate
Report Name:	Risk Management Report		

Report Status	<i>Open</i>
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Purpose

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

Staff Recommendation

That the Audit and Risk Committee receives the report.

Background

- Hamilton City Council has eight key Material Risks that are managed by the Risk Manager in conjunction with the risk owners.
- A new initiative of 'deep diving' on material risks has been adopted by the Risk Manager with the intention of improving assurance reporting around the management of a material risk.
- The first deep dive is on Material Risk 3; Failure of Critical Assets which has been reviewed in detail by the Manager of the Asset Management Centre of Excellence (AMCoE).
- The remaining material risks are managed within each Council activity or business unit and detailed in attachment one along with a status update for each.

Discussion

- The CAMMS Risk Management software platform is now active. As a centralised system it will increase transparency of risk identification and mitigation management across the organisation and currently has 27 risk registers entered for analysis.

Audit and Risk Committee Forum April 2018

- On the 13th April 2018 Cr Pascoe and Council's Risk Manager attended the Audit and Risk Committee Forum for Elected Members and Chief Executives within the Waikato Region.
- Several topics were presented and of interest was a presentation by the Auckland City Council Risk Manager who provided examples of how they responded to a series of events. These were a well-publicised corruption case; a tempest weather event in New Lynn; a contractor management failing that was linked to a fatality of a rubbish collector; a major slip in Birkenhead and the importance of implementing their bullying and sexual harassment policy due to high profile events.

Attachments

Attachment 1 - HCC Material Risk Report

Attachment 2 - Failure of Critical Assets Deep Dive June 2018 .

Material Risks Summary – May 2018

Attachment 1

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

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

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

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

Risk Triggers
<ul style="list-style-type: none"> • H&S roles and responsibilities across the organisation not fully understood or accepted • Poor understanding of the H&S risks within the organisation • H&S management system ineffective or inefficient • Poor safety / organisational culture • Human error / inappropriate behaviours / complacency • Unsafe or poorly maintained equipment

Inherent Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	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"> • Health and Safety Management System – system development phases • Includes Plans, procedures for work practices/activities for all high-risk areas • Pre-qualification engagement program – contractors • Organisation Engagement Survey 	

Residual Risk

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

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

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

Further Actions Required	Update – May 2018	Action Owner
<ol style="list-style-type: none"> 1. Establish a governance framework for the engagement and management of contractors 2. Enhance the safety behaviours / culture program (take it to the next level of maturity) 3. Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions 4. Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls. 	<ul style="list-style-type: none"> • The contractor management governance framework is established and implemented through the SHE Contractor Prequalification programme. This is to be audited annually to ensure quality of data capture is maintained at a higher level. First quality assurance audit is planned for July 2018 by H&S Assurance Lead and Risk Manager for Council. • As part of the safety behaviours / culture program the People Safety and Wellness Strategic Plan has been developed to support the H&S Assurance and Engagement Leads. • More work on the appropriate monitoring approach is required however an improvement in near misses and incident reporting has been identified. • To enhance the understanding of Council's critical H&S risks 12 Current Best Practice (CBP) documents are being established and implemented. Three have been completed and for distribution across the organisation for review. (1) Working alone in Isolation; (2) Hazardous Substances and (3) Asbestos Management. • In support of the 3rd CBP Work Safe has established a nationwide Asbestos Protocol with the purpose of responding and supporting councils to manage asbestos incidents. Council is a regional signatory to this protocol. 	<p>David Bryant (General Manager Corporate)</p>

Risk Description			Rank
H&S - Community Failure to create and maintain a safe environment for the community leading to death or a serious injury incident.			<h1>Rank 2</h1>
Risk Owner	David Bryant (GM Corporate)	Category	

Risk Triggers
<ul style="list-style-type: none"> Inadequate understanding of the scope of HCC's health and safety responsibilities towards the community Poor HCC understanding of the H&S risks within the Community Failures in safety-in-design planning for our amenities and services provided to the community Human error / inappropriate behaviours Crime

Inherent Risk

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

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

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

Existing Controls and Mitigations	
<ul style="list-style-type: none"> Health and Safety Management program implemented Includes Plans, procedures for work practices/activities for all high-risk areas Includes Pre-qualification engagement program – contractors Audit functions implemented with risk assessment practices embedded within BU's. Call Centre feedback and HCC Website capability for community to report hazards. Incl social media monitoring by Communications 	

Residual Risk

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

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

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

Further Actions Required	Update – May 2018	Action Owner
<ol style="list-style-type: none"> 1. Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions 2. Enhance understanding of key risk scenarios and commonality of critical controls. 3. Ensure on-going monitoring of effectiveness of critical controls where community is exposed. 	<ul style="list-style-type: none"> • H&S Assurance Lead is establishing an inspection, audit and review framework to identify risk levels across Council’s facilities. Work is yet to commence with H3, Community and City Infrastructure Groups although the H&S team provide guidance on projects and reviewing Safety and Design projects. H&S is also establishing a CBP or Guideline document for organisation awareness around Safety and Design requirements. • In support of the above H&S are currently working on a Contractor Management Current Best Practice (CBP) and with an additional resource H&S are scheduling Project Contractor Safety Audits/Inspections to provide support to an ongoing assurance programme. • Risk and Insurance are establishing the integrated management framework for Emergencies, Crisis and Business Continuity which assesses likely scenarios, in conjunction with Civil Defence, Hamilton could experience. This work involves key groups from Community, H3 and City Infrastructure and is ongoing. 	<p>David Bryant (General Manager Corporate)</p>

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

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Risk Triggers					
<ul style="list-style-type: none"> Poor response management and knowledge across HCC Poor understanding of requirements to support Hamilton City in an event Lack of experience with real life emergency situations Turnover of trained staff Poor contract management Lack of critical equipment and resourcing Cross-jurisdictional responsibilities Poor critical asset management 					
Inherent Likelihood	Almost Certain	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Catastrophic	Inherent Risk Rating	Extreme 

Attachment 1

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

Further Actions Required	Update – May 2018	Action Owner
<ol style="list-style-type: none"> 1. Identify critical assets within AMP providing a critical service 2. Develop asset condition management strategy 3. Increase detailed budget planning from 3 and 10 years to 30-year period 4. Independent reviews across all Asset Management Plans established Feb 2017. 5. Infrastructure performance measures to enable ongoing monitoring should be reported to the ARC. 	<ul style="list-style-type: none"> • Activity Management Plans have been prepared for use in 2018-28 10-Year Plan and the renewals forecast has been fully funded in the draft budget. • Current management strategies have been documented for critical assets. • The critical assets, as they are currently understood, have been mapped for Transportation, Water Supply and Wastewater. • The organisational improvement programme for asset management is in the process of being updated following an external maturity assessment in August and September 2017. There is a key focus on the risk and resilience over the next 12 – 18 months. 	Chris Allen (General Manager City Infrastructure)

Failure of BCP Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.			Rank: 4
Risk Owner	David Bryant (GM Corporate)	Category	Disaster Recovery/ Business Continuity

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Risk Triggers					
<ul style="list-style-type: none"> Business Continuity Plans are not communicated effectively Untested Business Continuity Plans Business Continuity Plans haven't contemplated all the scenarios Business Continuity Management framework not established, implemented or communicated within organisation Business Continuity Plans are untested, inadequate, not communicated effectively, or are not up to date. 					
Inherent Likelihood	Likely	Inherent Consequence Driver Service Delivery	Serious	Inherent Risk Rating	Very High 
Existing Controls and Mitigations					
<ol style="list-style-type: none"> Business Continuity Plans in place for all critical activities and business units HCC Crisis Management Guide has been established in support of an integrated response capability. Business Continuity Plans are reviewed quarterly by Risk & Insurance business unit Business Continuity Plans are integrated as part of asset management planning Business Continuity Plans are reviewed on an ad hoc basis by Internal Audit 					
Residual Likelihood	Unlikely	Residual Consequence Driver Service Delivery	Serious	Overall Residual Risk Rating	Medium 

Attachment 1

Further Actions Required	Update – May 2018	Action Owner
<ul style="list-style-type: none"> Visibility and ownership of Business Continuity Plans to be outlined to all assigned SLT members Velocity site to be updated with easy access instructions in response to an event. Business Continuity Plan testing plans extended to Nov 2017 due to priority matters related to LTP 	<ul style="list-style-type: none"> HCC BCP's are currently assigned to each GM of Council Groups. The current programme of 26 BCP's is still being reviewed with 7 completed to date. The review focuses on a closer look at operational impacts, however current BCP's can still be used in an event in conjunction with support from the Civil Defence Emergency Management Group which is led by both HCC Civil 	David Bryant (General Manager Corporate)

Attachment 1

	<p>Defence Controllers.</p> <ul style="list-style-type: none">• The BCP Testing regime has not been implemented due to delays in finalising the BCPs. A time frame is yet to be identified.	
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Inadequate civil defence response			Rank: 5
Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.			
Risk Owner	Blair Bowcott (Special Projects Director)	Category	Disaster Recovery

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Risk Triggers					
<ul style="list-style-type: none"> Poor response management and knowledge across HCC Poor understanding of requirements to support Hamilton City in an event Lack of experience with real life emergency situations Turnover of trained staff Poor contract management Lack of critical equipment and resourcing Cross-jurisdictional responsibilities Poor critical asset management 					
Inherent Likelihood	Likely	Inherent Consequence Driver Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic	Inherent Risk Rating	Extreme 

Attachment 1

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

Further Actions Required	Update – May 2018	Action Owner
<ol style="list-style-type: none"> 1. Monitoring of SLA in place with WRC and reporting bi-annual progress reports. 2. Review and communicate emergency response procedure to lift civil defence awareness through the organisation 3. Develop succession plan for critical Emergency Management knowledge 	<ul style="list-style-type: none"> • HCC reports quarterly to Council’s Community and Services Committee and the SLA performance is referenced for discussion. The last committee meeting was April 2018. • The HCC CDEM Capability Assessment was recently completed and HCC scored 56% for 2018, compared to 47% for 2017, which reflects an overall developing capability and defines that there is some progress and work completed, but further work is required to develop, test, verify and embed CDEM into the organisation. • There is redundancy for CDEM coordinating staff within the SLA arrangements which will support knowledge transfer and improving awareness programmes across the organisation but also across the Hamilton. • Further development of CDEM capability is to finalise draft CDEM procedural documentation. 	Blair Bowcott (GM - Special Projects)

Financial Strategy Failures

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

Rank: 6

Risk Owner

Richard Briggs
(CE)

Category

Financial

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Risk Triggers

- Materially incorrect financial strategy assumptions
- Significant unforeseen event

Inherent Likelihood

Possible

Inherent Consequence Drivers
Safety & Wellbeing,
Financial,
Service Delivery,
Compliance
Social and Cultural

Serious

Inherent Risk Rating

High



Attachment 1

Existing Controls and Mitigations

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

Residual Likelihood

Possible

Residual Consequence Drivers
Safety & Wellbeing,
Financial,
Service Delivery,
Compliance Social and Cultural

Serious

Residual Risk Rating

High



Attachment 1

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

Item 6

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

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Risk Triggers					
<ul style="list-style-type: none"> Inadequate IT security environment Staff not following IT security procedures [lack of general awareness / culture] Targeted and potentially malicious exploitation of security vulnerabilities in operating systems or applications 					
Inherent Likelihood	Possible	Inherent Consequence Driver Information Management/ Information Technology, Service Delivery, Safety & Wellbeing	Catastrophic	Inherent Risk Rating	Very High 

Attachment 1

Existing Controls and Mitigations					
<ul style="list-style-type: none"> 3 Lines of Defence implemented (1) Hardware + Systems Controls (2) Process Management (3) technical Experts – architects, technical and operations personnel (i.e. Fujitsu) Managed desktop environment implemented conforms with DIAAOG – (Department of Internal Affairs and All of Government) desktop offering and standards Data and system backups – daily, weekly, monthly regime aligned to critical services list Technical support from key vendors - Microsoft and Fujitsu IT Security Management Policies and Procedures External and internal security audit and reviews 					
Residual Likelihood	Unlikely	Residual Consequence Driver Information Management/ Information Technology, Service Delivery	Catastrophic	Residual Risk Rating	Very High 

Further Actions Required	Update – May 2018	Action Owner
<ul style="list-style-type: none"> • Enhance understanding of key activities where we need back up or manual intervention. • Develop action plans to ensure there is a backup in place for critical activities. • Ensure on-going monitoring of effectiveness of critical controls. • Develop and implement procedures for monitoring unusual network activity. 	<ul style="list-style-type: none"> • IS have developed an operational DRP which is considered a live document under the management of the CTO. This includes a backup regime and action plans are in place for critical services. • PwC have completed a Cyber Security Governance audit in August 2017 and are still completing a more detailed review of Council’s control environment and an IT Security Audit by PwC was initiated on 25/05/2018. The final audit report is still pending and expected before August 2018. • Monitoring of unusual network activities is considered as business as usual due to the external environment and the Chief Information Officer(CIO) now receives the Cyber Security Insights Executive Paper from the National Cyber Security Centre. This quarterly report identifies trends and activities globally but also within NZ and is a restricted document under the TLP (Traffic Light Protocol) AMBER meaning it can only be shared within an organisation for protection measures against threats. 	David Bryant (General Manager Corporate)

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

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

Existing Controls and Mitigations					
<ul style="list-style-type: none"> District plan renewed every 10 years and undergoes a rigorous consultation and appeal process Future proof growth modelling around sub-regional plans are reviewed by the Executive Director Special Projects Growth forecasts and modelling around developer contributions reviewed by General Manager City Growth Quarterly reviews (part of the Hamilton Urban Growth Strategy) to monitor progress against the plan in terms of serviceable land availability. Results of the monitoring are reported through to the Senior Leadership Team for discussion and action Core inputs prepared by external experts "Market Economics" models and reviewed by BERL Council has two dedicated FTE's responsible for data analytics for Growth Group. New Development Contribution model and tool has been established to provide improved data analysis. Hamilton Housing Market & Economy Growth Indicator Report. Adopted across the sub- region 					
Residual Likelihood	Unlikely	Residual Consequence Driver Social, Cultural and Environment	Serious	Overall Residual Risk Rating	Medium 

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

	<p>place and include district growth and sub-region approach which is currently being reviewed by BERL.</p> <ul style="list-style-type: none">• NPS is enacted by legislation. A sub-regional review of land use, demand and supply is underway.• Year to March 2018 tracking infill development against 57% growth target and 43% for greenfield growth target.• Quarterly analysis of external housing, market drivers is captured in the Hamilton Housing Market & Economy Growth Indicator Report• Significant improvements in data quality, management and processing since new DC and growth model operational.• Business case for HIF submission confirmed supply and demand analysis and a positive cost benefit analysis. HIF is currently with cabinet ministers, and awaiting final signoff as part of the LTP.	
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APPENDIX A – RISK RATING

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

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

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

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

APPENDIX B – ACTION REQUIRED AND REPORTING

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

Attachment 1

Item 6

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

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

APPENDIX C – RISK MATRIX LEGEND

Risk Matrix Legend					
	Description	Reputation	Health and Safety	Service Delivery (Strategy incl)	Financial
5	Catastrophic	<ul style="list-style-type: none"> • Council suffers severe political and/or reputational damage that cannot easily recover from. • Council suffers severe negative reputational impact, and the Mayor loses confidence in senior management. • Mayor and Chief Executive need to be briefed and regularly updated. • Media interest is sustained for a prolonged period (i.e., over a week) with major criticism levelled at the Council. • Council breaches multiple laws, which leads to legal action by affected stakeholders. • External/independent investigation conducted by law enforcement and/or government agencies. 	<ul style="list-style-type: none"> • Loss of life. • Major health and safety incident involving members of staff and/or members of the public. • The injured party or parties suffer major injuries with long-term effects that leave them permanently affected. • An external authority investigates Council's safety practices and Council is found to be negligent. 	<ul style="list-style-type: none"> • Severe compromise of the strategic objectives and goals of the Council. • Severe on-going impact on service delivery across Council and business units. • Skills shortages severely affect the ability of Council to meet its objectives and goals. • Staff work hours are increased by more than 50% (20 hours per week) for more than 30 days. • Between a 10% or more increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating 	<ul style="list-style-type: none"> • Impact cannot be managed without additional funding from Council. • Impact cannot be managed without significant extra human resources. • Yearly operating costs increase by more than 12%. • One-time financial cost greater than \$100,000.
4	Major	<ul style="list-style-type: none"> • Council suffers significant political and/or reputational damage. • Council suffers reputational damage and loses confidence in senior management. • Mayor and Chief Executive need to be briefed and regularly updated. • Media interest is sustained for up to a week with minor criticism levelled at Council. • Key stakeholders need to be informed and kept up to date with any developments that affect them. • Council breaches the law, which leads to legal action by affected stakeholders. • External/independent investigation conducted by law enforcement and/or government agencies. • Communications and recovery can be managed internally. 	<ul style="list-style-type: none"> • A significant health and safety incident involving multiple members of staff and/or members of the public. • The injured party or parties suffer significant injuries with long-term effects that leave them permanently affected. • WorkSafe investigates Council's safety practices and Council is found to be inadequate. 	<ul style="list-style-type: none"> • Significant compromise of the strategic objectives and goals of Council. • Compromise of the strategic objectives of Hamilton City. • Significant on-going impact on service delivery across one or more business units. • Skills shortages affect the ability of Council to meet its objectives and goals. • Staff work hours are increased by more than 38% (10 – 15 hours per week) for 30 days. • Between a 3% and 10% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating. 	<ul style="list-style-type: none"> • Impact cannot be managed without re-prioritisation of work programmes. • Impact cannot be managed without extra financial and human resources. • Yearly operating costs increase by 10% to 12%. • One-time financial cost between \$50,000 and \$100,000.

3	Serious	<ul style="list-style-type: none"> • Council suffers limited political and/or reputation damage. • The Chief Executive and senior management need to be briefed and regularly updated. • Council breaches its compliance obligations. • Media interest is sustained for less than a week with minor criticism levelled at Council. • Key stakeholders need to be informed and kept up to date with any developments that affect them. • External/independent investigation is conducted by law enforcement and/or government agencies. • Most communications and recovery can be managed internally. 	<ul style="list-style-type: none"> • Health and safety incident involving multiple members of staff or one or more members of the public. • The injured party or parties suffer injuries with long-term effects and are not permanently affected. • Council's safety practices are questioned and found to be inadequate. 	<ul style="list-style-type: none"> • Compromise of the strategic objectives and goals of Council. • Moderate impact on service delivery across one or more business unit's due to prolonged service failure. • Staff work hours are increased by less than 25% (8 – 10 hours per week) for a two to four-week period. • Between a 1% and 3% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating. 	<ul style="list-style-type: none"> • Impact can be managed with some re-planning and modest extra financial or human resources. • Yearly operating costs increase by 7% to 10%. • One-time financial cost of \$20,000 to \$50,000.
2	Moderate	<ul style="list-style-type: none"> • Senior management and/or key stakeholders believe that Council's reputation has been damaged. • The Chief Executive needs to be advised and SLT needs to be briefed. • Media interest is short-lived (i.e., a couple of days) and no blame is directed at Council. • Key stakeholders need to be informed. • Communications and recovery can be managed internally. 	<ul style="list-style-type: none"> • Minor health and safety incident involving multiple members of staff or a member of the public. • The injured party or parties suffers minor injuries with only short-term effects and are not permanently affected. 	<ul style="list-style-type: none"> • Minor impact on service delivery across one or more business unit's due to brief service failure. • Limited effect on the outcomes and/or objectives of more than one business unit. • Staff work hours are increased by less than 15% (6 hours per week) for less than two weeks. • Less than a 1% increase in staff turnover in a six-month period that can be directly attributed to the risk eventuating. 	<ul style="list-style-type: none"> • Impact can be managed within current resources, with some re-planning. • Increase of between 5% and 7% in yearly operating costs. • One time financial cost between \$10,000 and \$20,000.
1	Minor	<ul style="list-style-type: none"> • Reputation is not affected. • No media attention. • All communications and recovery can be managed internally. 	<ul style="list-style-type: none"> • No loss or significant threat to health or life. • Council's safety practices are questioned but are found to be appropriate. 	<ul style="list-style-type: none"> • Limited effect on the outcomes and/or objectives of a business unit. • Staff work hours are increased by less than 5% (1 - 2 hours per week) for less than seven days. • No increase in staff turnover because of the risk eventuating. 	<ul style="list-style-type: none"> • Impact can be managed within current resources, with no re-planning. • Increase of less than 5% in yearly operating costs. • One time financial cost of less than \$10,000.

Item 6

Attachment 1

Risk 3 - Failure of Critical Assets – Identification, Consequence and Mitigations

TRANSPORTATION

Critical Assets	Risk to levels of service or consequence of failure	Current Mitigation
Carriageways required for emergency access: <ul style="list-style-type: none"> • Pembroke (Waikato Hospital) • Peacockes (Water Treatment Plant) • Pukete (Wastewater Treatment) • Anglesea/ Caro (Telecoms Exchange) • Vickery/Anglesea/Crosby (Fire Stations) • Hukanui/ Seddon (Ambulance) • Critical bridge approaches 	Closures on these roads will affect access to critical services.	<ul style="list-style-type: none"> • Top priority for clearing and re-opening in the event of a road closure or a civil defence emergency. • Planned closures include Traffic Management Plans for most contingencies. • As with all carriageways these are renewed based on condition, however, these are given a higher priority.
Carriageways – Arterial and Collector	Closures on these roads will severely impact on traffic flows throughout the city.	
Bridges – Arterial <ul style="list-style-type: none"> • Bairds O/B (Avalon) • Mill St O/B • Pukete • Whitiara • Victoria 	Loss of bridge would result in significant traffic delay for a long period of time. Catastrophic failure could result in loss of life.	<ul style="list-style-type: none"> • Two yearly general inspections of bridges by qualified bridging inspector. • Principal inspections are carried out on a six-yearly basis.^[1] • Coating inspections, underwater inspections and live load assessments carried out as required. • Overweight vehicle applications processed accounting for bridge design loadings. • Routine deck sweeping. • Any identified and necessary repairs are
Bridges – Historic <ul style="list-style-type: none"> • Fairfield • Claudelands • Victoria 	Historic structures are irreplaceable and deeply valued by public. Catastrophic failure could result in loss of life.	

^[1] Best practice, as laid out in NZTA's "Bridge inspection and maintenance manual" and NZTA S6 : 2015 "Bridges and other significant highway structures inspection policy", requires a minimum frequency of 2 years for general inspections and 6 years for principal inspections.

Critical Assets	Risk to levels of service or consequence of failure	Current Mitigation
		<p>carried out in a timely manner.</p> <ul style="list-style-type: none"> No deferred renewals. Heavy vehicle constraints are in place where necessary. Seismic assessments have been carried out on bridges designed pre-1972. Vulnerability screening carried out (2018) to identify potential risks which would not be identified through inspections. Investigation of these potential vulnerabilities has yet to be completed.
Bridges – Other Critical Road Culverts (on major arterials) and Major Culverts (over 2m diameter)	Catastrophic failure could result in loss of life	<ul style="list-style-type: none"> Two yearly routine inspections of bridges by bridging consultant engineer. Detailed structural inspections are carried out on a six-yearly basis.
Retaining Walls – over 2m height	Catastrophic failure could result in loss of life and/or property/infrastructure damage.	<ul style="list-style-type: none"> These assets are recorded and any retaining walls that are showing any sign of deterioration are monitored in line with a risk-based schedule. Wintec Wall is subject to an annual 3D “point cloud” survey.
Transport Centre and Garden Place Parking Building	<p>Catastrophic failure could result in loss of life.</p> <p>Closure of the Garden Place Parking Building would impact on city centre businesses and customers.</p> <p>Closure of the Transport Centre would impact on public transport use and operations, both for city and inter-regional services.</p>	<ul style="list-style-type: none"> Regular building inspections and audits in line with legislation.

WATER SUPPLY

Critical Assets	Risk to levels of service or consequence of failure	Current Mitigation
Wairoa Water Treatment Plant	Council has one Water Treatment Plant failure of any of the critical components of the treatment plant may jeopardise the provision of treated water to the community.	<ul style="list-style-type: none"> • Maintenance Programmes for all assets, the scale and frequency of maintenance is based on asset criticality. • Condition assessment programmes, scale and frequency dependant on asset criticality. • Renewals Programme for all assets, with priority given to critical assets • Water Supply Network reconfiguration and improvement programmes the water supply network to improve resilience.
Reservoirs and associated pumping systems	Without storage capacity and capability, the provision of water to consumers would be wholly reliant on the 24/7 uninterrupted operation of the water treatment plant. Water pressure and firefighting capabilities may be jeopardised.	<ul style="list-style-type: none"> • Maintenance Programmes for all assets, the scale and frequency of maintenance is based on asset criticality. • Condition assessment programmes, scale and frequency dependant on asset criticality. • Renewals Programme for all assets, with priority given to critical assets. • Water Supply Network upgrade, reconfiguration and improvement programmes the water supply network to improve resilience.
Bulk mains and valves	Our bulk main feeds reservoirs and the network, if these were to fail interruptions to supply or reduction in pressure would be felt by all customers within the city.	<ul style="list-style-type: none"> • Maintenance Programmes for all assets, the scale and frequency of maintenance is based

Critical Assets	Risk to levels of service or consequence of failure	Current Mitigation
Pipes and valves to significant/key customers i.e. the hospital.	Disruption to supply to the significant customers.	<ul style="list-style-type: none"> on asset criticality. Condition assessment programmes, frequency dependant on asset criticality. Renewals Programme for all assets, with priority given to critical assets. Water Supply Network upgrade reconfiguration and improvement programmes the water supply network to improve resilience.
Fire Hydrants	Our fire hydrants must be operational at all times to ensure that they are available for firefighting.	<ul style="list-style-type: none"> Condition assessment and maintenance programmes for all asset. The frequency is based on asset criticality. Renewal Programme for all assets, with priority given to critical assets.

WASTEWATER

Critical Assets	Risk to levels of service or consequence of failure	Current Mitigation
Interceptors	The interceptors provide conveyance of wastewater from large areas of the city to the wastewater treatment plant, if these were to fail significant amounts of wastewater will spill into private property, public areas, streams and the Waikato River.	<ul style="list-style-type: none"> Condition assessment programmes frequency dependant on asset criticality. Renewals Programme for all assets, with priority given to critical assets.
Pipes and manholes located adjacent to streams and the Waikato River	Due to their location a failure of these assets will result in a direct wastewater spill to a stream or River	<ul style="list-style-type: none"> Condition assessment programmes frequency dependant on asset criticality. Renewals Programme for all assets, with priority given to critical assets.

Critical Assets	Risk to levels of service or consequence of failure	Current Mitigation
Connection to significant/key customers	Connections that provide a service to our significant key customers who provide a city-wide service such as the hospital and depend on working wastewater system to remain open.	<ul style="list-style-type: none"> • Condition assessment programmes frequency dependant on asset criticality. • Renewals Programme for all assets, with priority given to critical assets.
Pipes with constrained capacity	All pipes that are at greater than 50% full during dry weather are considered to be critical as it is more likely that these will overflow during a rain event.	<ul style="list-style-type: none"> • Upgrade Programme to provide capacity, resilience and reliability of critical assets. • Programme to increase network capacity and storage over the 2018-28 LTP.
Pump stations	Risk of wastewater spills and odour issues.	<ul style="list-style-type: none"> • Condition assessment programmes frequency dependant on asset criticality. • Maintenance programmes for all asset. The frequency is based on asset criticality. • Renewals Programme for all assets, with priority given to critical assets. • Programme to increase network capacity and storage over the 2018-28 LTP.
Pukete Wastewater Treatment Plant	Failure of critical assets at the Wastewater Treatment Plant jeopardise the ability to treat wastewater to the required standard.	<ul style="list-style-type: none"> • Maintenance Programmes for all assets, the scale and frequency of maintenance is based on asset criticality. • Condition assessment programmes, scale and frequency dependant on asset criticality. • Renewals Programme for all assets, with priority given to critical assets. • Upgrade and improvement programmes to improve resilience.

Key Critical Assets Mapping

Figure 1: Locations of Critical Roads

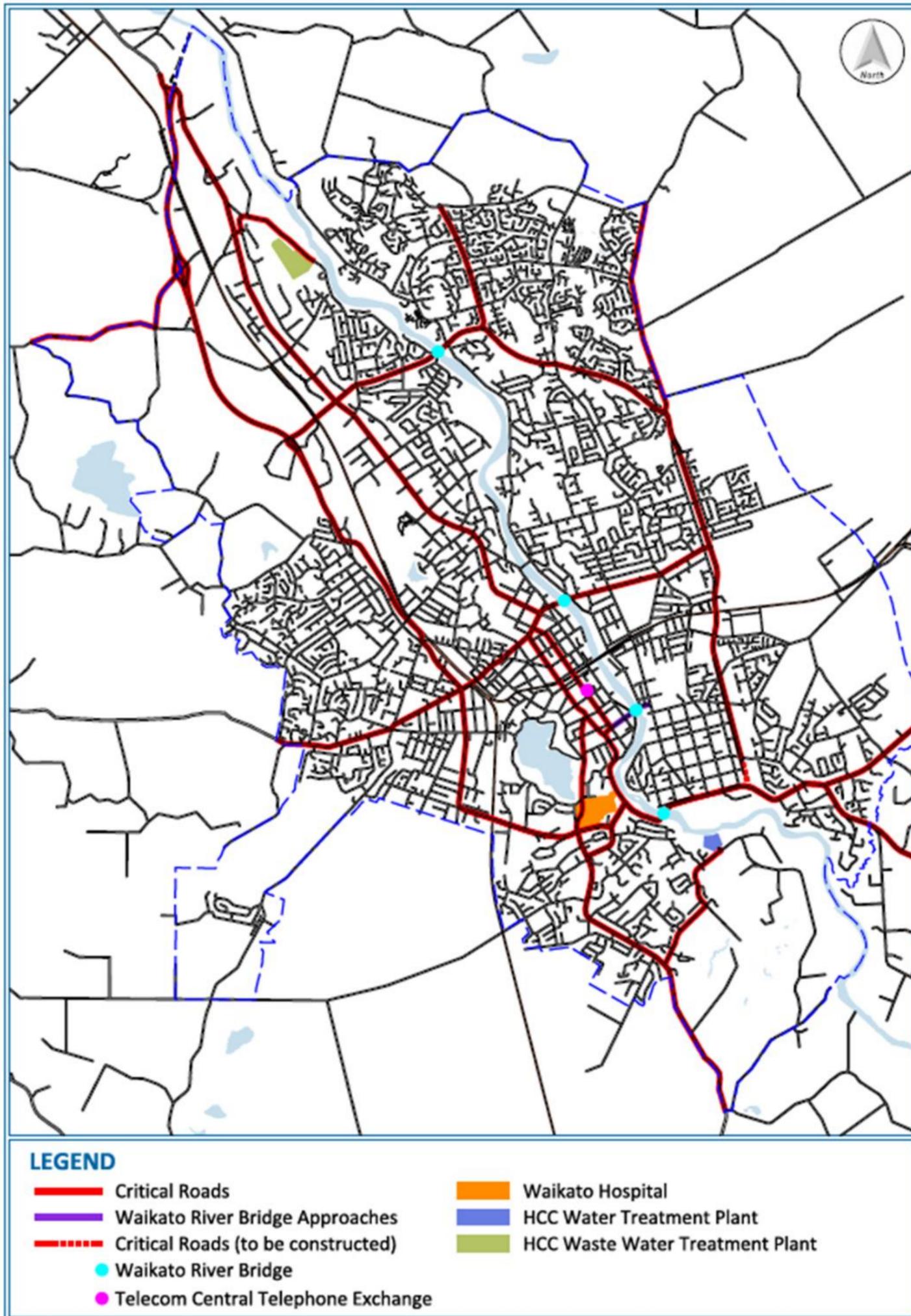


Figure 2: Critical water pipe assets (2012)

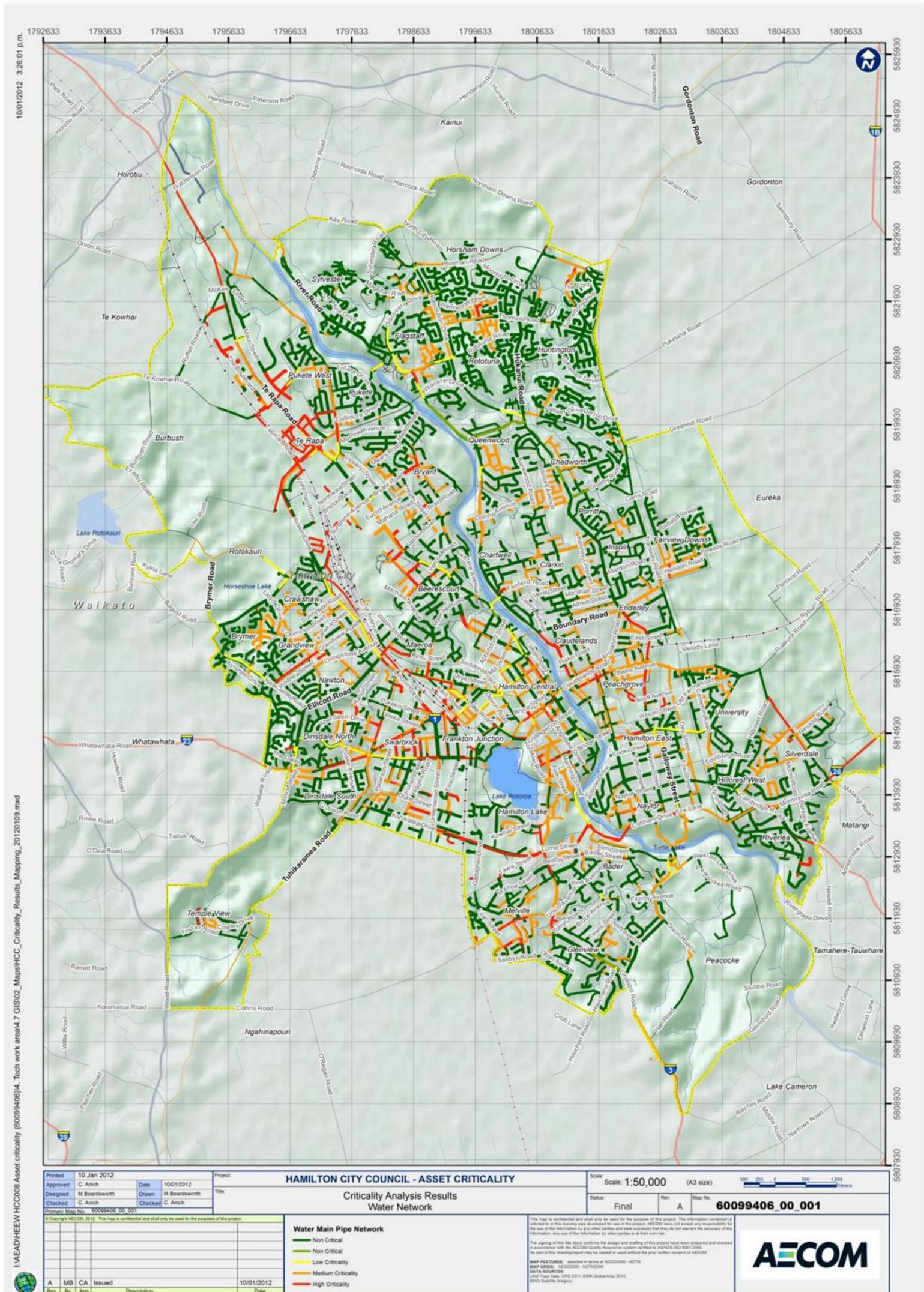


Figure 3: Critical wastewater pipe assets (2012)

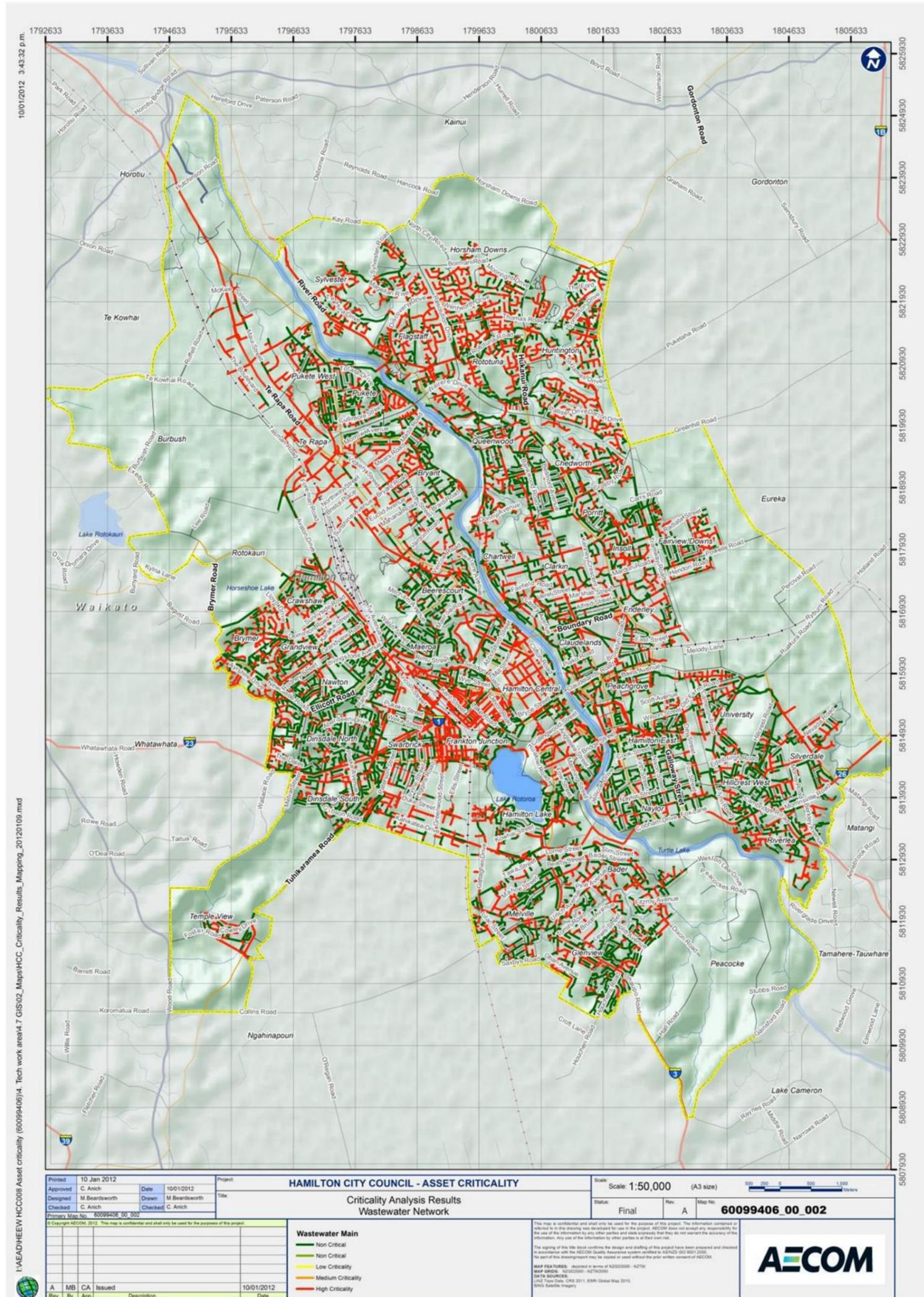
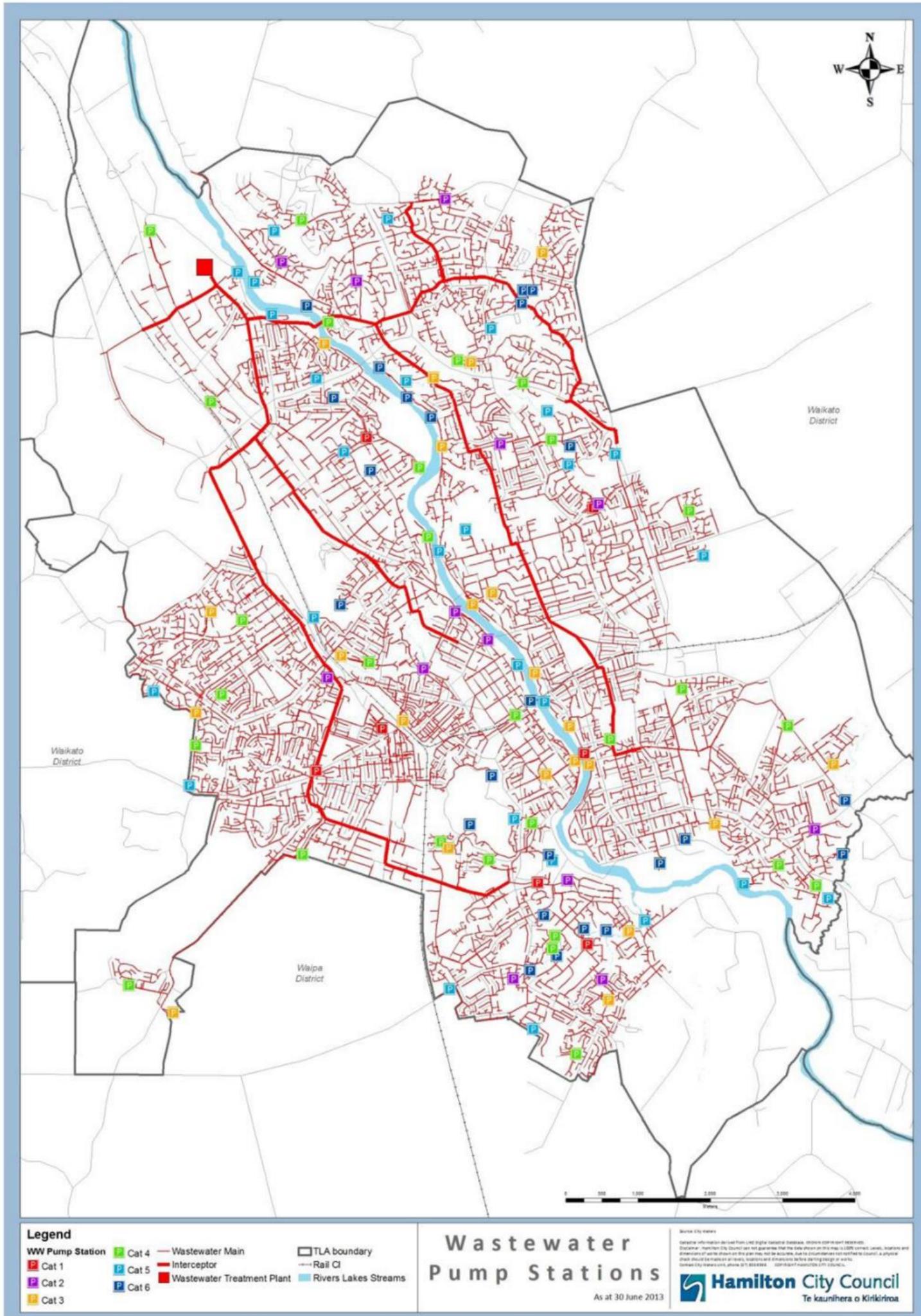


Figure 4: Pump station criticality



Council Report

Item 7

Committee: Audit & Risk Committee

Date: 14 June 2018

Author: Dan Finn

Authoriser: David Bryant

Position: People, Safety & Wellness
Manager

Position: General Manager Corporate

Report Name: Safety and Wellness Report

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee on the safety and wellness activities and key performance indicators for Q3 2017/18.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Attachments

Attachment 1 - Safety and Wellness Audit and Risk Report Q3

Health and Safety Report

1 February to 31 May 2018



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Executive Summary

Overview

Hamilton City Council's safety performance is steady and we remain on-track to achieving most of our key performance targets that were set for 2017/2018.

We are committed to providing a safer working environment that is free from harm and continue to make improvements in our reporting procedures, how we investigate events more effectively to improve learnings that can be shared as well as improved injury management through a comprehensive return to work programme, supported by key medical practitioners who we choose to partner with.

The safety and wellness team continue to develop and implement our Health and Safety Management Framework, which provides the foundations for supporting our operational areas in the management of their critical risks. Not only focussing on our reactive state in response to safety events that have taken place, we are also adopting a pro-active approach through the structure and promotion of wellbeing initiatives to increase awareness and to minimise future injury and illness.

Looking towards the final quarter for this performance year we will be concentrating our efforts on continuing to improve our safety culture as well as our safety practises, which includes:

- safer operating of company vehicles and workers who conduct their work within the road corridor
- fatigue management and wellness initiatives to minimise the effects of winter illness
- providing appropriate training that supports our health, safety and wellness initiatives
- promoting a safe and just culture through behaviours and exemplary leadership

Health and Safety Report

1 February to 31 May 2018

Notifiable Events

Between 1 February to 31 May 2018 there was one notifiable event reported to WorkSafe.

An internal investigation was carried out by Hamilton City Council and no further action was required by WorkSafe.

Incident Type	Critical Risk	Incident	Action Taken	Business Unit
Notifiable Event	Energy Source	A City Delivery crew were digging a trench to install new w/water connection. They hand dug down and located the services (gas & phone) as per the services drawings. They then carried on excavating with the digger when a tooth of the digger bucket struck another 50mm gas line (which was not identified on the service drawings).	<ul style="list-style-type: none"> Additional gas services to be updated on service drawings to ensure gas lines identified in the future. FirstGas providing awareness training to City Delivery staff outlining safe practises for trenching and digging around Gas services. 	City Delivery

Safety Performance

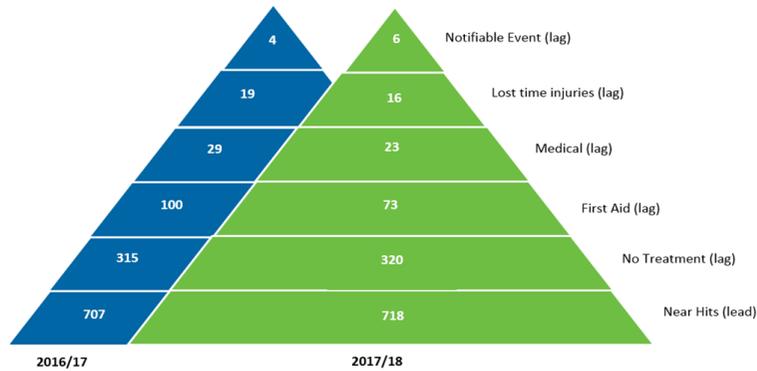


Figure 1: Performance Indicators for events financial year to date

Lost Time Injuries By Month

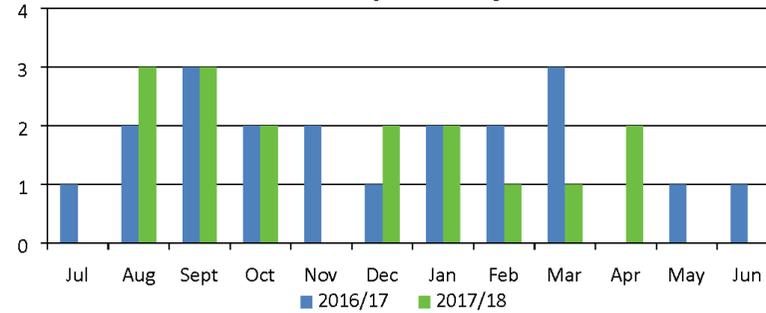


Figure 3: Lost time injuries by month up to 31 May 2018

Total Recordable Injury Frequency Rate

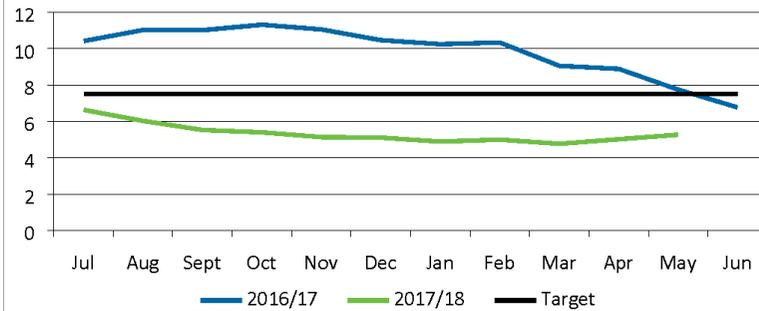


Figure 2: Total recordable injury frequency rate per 200000 man hours

Lost Time Frequency Rate

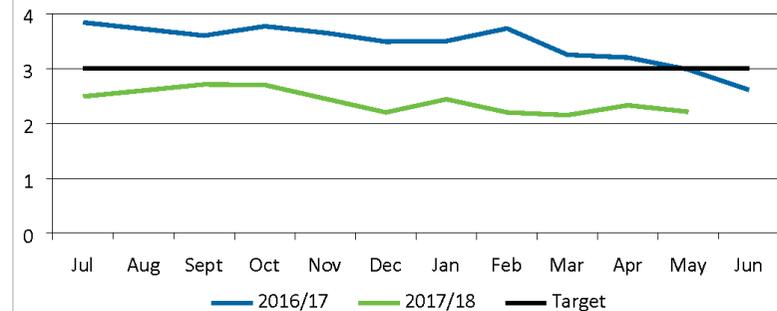


Figure 4: Lost time injury frequency rate per 200000 man hours

Health and Safety Report

1 February to 31 May 2018

Health and Safety Trends

Through event analysis over this reporting period, we continue to see several critical risks that are associated with a high number of events being reported which includes 'driving on the road' and 'dealing with aggressive and/or violent people'.

We are seeing similar events taking place across a number of areas as well as an emerging pattern of re-occurrence, which we are wanting to address. Providing greater insights and sharing key learnings from these types of events are designed to encourage an increase the frequency of safety conversations as well as implementing corrective actions across many operational areas as a way of lifting our overall safety performance. To address these matters, we will be implementing a communication initiative to raise awareness around good safety practices that can be adopted across teams called 'Proud Moments' and 'Safety Alerts' following significant events to share key learnings across Council.

Lost Time Injuries

Between 1 February to 31 May 2018 we recorded 4 lost time injuries, compared to 5 lost time injuries for the same period last year.

Our Lost Time Injury Frequency Rate (LTIFR) is currently at 2.21 per 200000 man hours, which is below our target of <3.0 for FY2017/18. There is greater effort required to reduce lost time injuries through preventative initiatives and improved injury management, involving physiotherapists to treat soft tissue injuries much earlier, which is our main injury type for lost time events.

Hazard	Injury Type	Number of Injuries
Manual Handling	Strains and Sprains	2
Slips, Trips and falls	Strains and Sprains	1
Hot Surface/ Substance	Burn	1

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

Medical Treatment and First Aid

Between 1 February to 31 May 2018 we recorded 5 medical treatment injuries and 17 first aid treatments.

Our Total Recordable Injury Frequency Rate (TRIFR) is currently at 5.27 per 200000 man hours which is below our target of <7.5 for the FY2017/18.

Near Hit Reporting

Between 1 February and 31 May 2018, we recorded 156 near hits, with a total of 584 year to date. Based on these numbers we will not reach our target of >971 for this performance year. We do however continue to encourage near hit reporting, with most concern on those types of near hits that could have resulted in significant injury, damage or loss. We continue to refine and look for better ways to increase the ease of near hit reporting as well as sharing the learnings to prevent re-occurrence.

Audits, monitoring and reviews

Between 1 February to 31 May 2018, we carried out 143 health and safety audits, made up from 67 manager audits, 5 hazardous substance audits, 69 worksite/contractor audits.

Team Leaders and Managers across the business have carried out 535 safety observations, which provides an opportunity to have positive safety conversations and correct unsafe behaviours that are observed immediately.

To encourage safety conversations and to enhance the current audit program a new audit tool is being developed to change the focus of audits away from compliance to one that supports improved conversations with workers, gaining a better understanding of our culture and work practices at the immediate coal face in relation to our critical risks.

Key Health and Safety Initiatives

Health and Safety Survey

In April Council workers were invited to participate in a quick Health and Safety Climate Survey. The survey consisted of 10 simple questions using a 5-point rating scale by selecting “strongly agree” to the statement or question being asked right down to “strongly disagree” or somewhere in between.

423 employees (39% of the organisation) responded to the survey, with 74% of the participants responding positively.

Asbestos Liaison Protocol.

The Waikato Region Asbestos Liaison Protocol has now been finalised by WorkSafe NZ and other local body councils. The final version will be to be signed by the key participating members on 25 May 2018. This protocol document has been developed as a best practice guide as to how agencies work best together to deal with asbestos related incidents.

Road Safety Week

Road Safety Week 2018 took place on 7 – 13 May, with the theme for this year based around seat belt use and distractions which was promoted throughout Council by both the Safety and Wellness team and City Transportation team including running a competition for people to provide their top road safety tips with the winners receiving a safety kit for their vehicles.

Drug and Alcohol Policy and Testing

Following the Drug and Alcohol Policy update, random drug and alcohol testing commenced on the 1st April. We are pleased to report that of the 70 tests that have been carried out to date, one positive test has been returned for alcohol.

Training and Competency

We have continued to provide workers access to appropriate safety and wellness training to ensure they are equipped to deal with health and safety matters that they encounter as part of their daily activities. Several new courses have been introduced, focussing on ‘Ageing Positively in the Workforce’, ‘Intercultural and Disability Awareness’, to help support and promote wellness for our employees.

Other safety training that’s coming up includes Incident Investigation, a Hazard Identification and Risk Assessment, as well as courses for new Health and Safety representatives.

COURSE PROVIDED	NUMBER ATTENDED
Peer Support Refresher Training	19
Mental Health First Aid	35
Workplace Health and Safety	8
Intercultural Awareness	22
Disability Awareness	13
Melanoma Awareness	16
How to Increase your Emotional Intelligence	8

Table 2: Health, Safety and Wellness training completed 1 February – 31 May 2018

Health and Safety Report

1 February to 31 May 2018

Health and Wellbeing

Bullying and Harassment Monitoring

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

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

	Peer Support	Informal Reports	Formal Reports
Total for period 1 February to 31 May 2018	2	0	0

Table 3: Harassment and Bullying

There have been 2 reports received from the peer support network between 1 February to 31 May 2018. Both reports were raised in relation to conflict. No formal or informal reports have been raised or investigated in the last three months.

Speak Up Campaign

Giving employees a voice and an opportunity to 'Speak Up', we have promoted and increased awareness around bullying, harassment, stress management and protected disclosure. This has also been done following the release of our updated Bullying, Harassment and Discrimination Policy to make it more acceptable and for employees to feel more comfortable in talking about these types of issues, which have no place in our organisation.

As part of the 'Speak Up' campaign Council supported Pink Shirt Day on 18 May as part of our commitment to prioritise staff wellbeing and to challenge bullying type behaviour.



Images: Left: Customer Service team and Mayor Andrew, Right: People, Safety and Wellness Unit

Employee Assistance Program (EAP)

For the period 1 February – 30 April 2018 there were 39 cases handled through EAP. The majority of these cases are through self-referrals and mostly relate to personal medical issues and non-work place stressors.

EAP Use	1 February to 30 April 2018
New Cases	23
Reopened Cases	8
Pre-existing cases seen during period	8
Total Cases	39
Contact Hours for the Period	77.5
Average Hours per Client	2.2

Table 4: EAP Use for period 1 February to 30 April 2018

WorkWell Wellbeing program

Council reviewed and considered a selection of wellbeing programmes for Council to support with some much-needed structure and resources around wellness. A decision was made to select the WorkWell program. This was developed by Toi Te Ora Public Health, which is a free, workplace wellbeing initiative supporting organisations. This program provides step by step support and mentoring from an

assigned WorkWell advisor, has easy to use resources, workshops, networking opportunities and recognition through accreditation.

Melanoma Awareness

In March, People, Safety and Wellness ran melanoma awareness courses across Council, which informed people on the risks of melanoma and taught them how to carry out self-skin checks. Resulting from these sessions one person identified an abnormality which they had checked and removed which turned out to be cancerous, but due to early detection was able to be treated.

Voluntary Health Checks

Voluntary health checks were held in March and April by nurses from Waikato Occupational Health Consultants at all Council facilities for those who wished to attend. These health checks involved hearing and vision checks, blood pressure, diabetes checks and lung function checks as well as an opportunity for people to discuss any potential concerns they may have. A total of 253 workers took up this opportunity and they were provided a report from these health checks which outlined any items they should follow up on with their GP.

Flu Vaccinations

In May the annual voluntary flu vaccination program for workers ran across council. A total of 344 workers took up this opportunity for 2018.

Upcoming Wellbeing Events

Over the next quarter Council will be running wellbeing events promoting the following:

- Men's Health Week which is running from 11 -17 June 2018 with this year the focus is around preventable illnesses and heart disease;
- Mid- winter protections for mental wellbeing;
- Get up and move more – aimed at encouraging people to get out and exercise and tips to achieving this during winter.

In Summary

Our Safety performance remains steady and we are continuing to develop and implement the key foundations of our health and safety management framework.

To provide direction and a clear path for people our Health and Safety Road Map (Appendix 2 – in Draft) summarises our efforts and focuses on the fundamental drivers to further develop and strengthen our safety culture and performance. We want everyone to think safe, work safe and go home safe every day.

We are seeing slight reductions in the number of injuries that are occurring, however to drive further improvements a greater focus on causation effects relating to near hits is required. This will assist to better reduce the opportunity of incidents reoccurring in the future resulting in injury. Further improvements to our injury management processes have been implemented to enhance soft tissue injury management by proactively engaging physiotherapists at first signs of discomfort.

Health and Safety Report

1 February to 31 May 2018

Appendix One: Previous Notifiable Events for 2017/2018 Period

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

Health and Safety Report

1 February to 31 May 2018

First Aid Injury	Working at Height	During an arena pack out an empty burlap bag used as part of the protection for rigging straps dislodged from the hauling line while a rigging chain was being lowered to the ground. The bag landed on the head of a person who was feeding the chain into its storage case at the time, leading to a first aid injury. The person was wearing all required PPE at the time including rigging helmet.	<ul style="list-style-type: none"> • Staff reminded of the importance to remain focused when lowering or raising equipment from height. • New process implemented to eliminate the need for the burlap bag. 	H3
Property Damage	Energy Source	A 20mm gas service line was damaged while excavating a water mains trench causing the escape of gas. The gas service was marked on the underground services plan.	<ul style="list-style-type: none"> • Workers re-trained in using the correct processes when locating underground services. Shovels and hand tools only to be used to reduce the risk of damaging services. 	City Delivery

Item 7

Attachment 1

Health and Safety Roadmap

CARE

- We **CARE** about our people
- We **CARE** about their safety, health and wellbeing
- We **CARE** about having a safe and just culture

OUR VISION: A high performing organisation respected by all

SAFETY GOAL: To create a safer working environment that is free from harm

BEST IN BUSINESS

Systems capability and data rich

- Be proactive to manage risk.
- Use trends to assist with performance improvement.
- Easy to use and fit for purpose.
- Effective health and safety framework.

WORK TOGETHER

MANAGING RISK

Effective and systematic management of our critical risks

- Manage risks.
- Appropriate interventions.
- Use expertise from others.
- Meet regulatory requirements.

MAKE IT HAPPEN

SAFETY LEADERSHIP

Committed, trained and competent workers

- Our people lead (by example).
- Strengthen our safety and wellness capability through learning.
- Be individually responsible.
- Set, enable, expect.

THINK DIFFERENTLY

STRENGTHENING OUR CULTURE

Just and safe culture aligned to our behaviours

- Our people follow the rules because they want to.
- Empower our people.
- Encourage continuous learning.
- Share and engage with others.

ACT WITH INTEGRITY

THINK SAFE • WORK SAFE • HOME SAFE • EVERY DAY



Council Report

Item 8

Committee: Audit & Risk Committee **Date:** 14 June 2018
Author: Russell Hynd **Authoriser:** David Bryant
Position: Finance Manager **Position:** General Manager Corporate
Report Name: Organisational Improvement Report

Report Status	<i>Open</i>
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Purpose

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

Staff Recommendation

That the Audit and Risk Committee receives the report.

Background

2. Council's risk management programme provides a record of recommendations from completed internal audits by PricewaterhouseCoopers and external audits by Audit New Zealand.
3. Actions and recommendations resulting from these audits are recorded and monitored through the Organisational Improvement Programme Register (Attachment 1).
4. The Organisational Improvement Register has been reviewed and transferred onto a dynamic platform (Opal3) for improved ongoing management and reporting. Original item reference numbers have been retained in the title of each item with new system generated IDs also shown.
5. Reporting to the Audit and Risk Committee will be focussed on recommendations classified as medium (amber) to high (red) importance.
6. There are currently twelve open items on the Organisational Improvement Programme Register of which seven are rated medium importance and are reported.
7. Five items have been removed from reporting based on their rating of low risk.
8. Since the last reporting period seven items have been closed.
9. There are three items behind schedule.

Discussion

10. The following items relate to the Organisational Improvement Register:

Item 8

- I. Item 315 has been closed. This item was the responsibility of H3 Finance Manager and involved upgrading the Ungerboek EDMS System, and setting up internal controls to ensure the integrity of accounts payable information. The upgrade has been completed, systems reviewed and the item has been signed off by the GM Venues, Tourism and Major Events.
- II. Items 351 & 359 have been closed. The review of the procurement policy and manual is completed, the new policy and manual are in use. This item was the responsibility of the procurement Manager and has been signed off by the GM Corporate.
- III. Item 370 – 373 have been closed. These items included a number of recommendations regarding Business Intelligence use within Council that have now been incorporated into business as usual or that will be addressed through the Business Intelligence Roadmap. These items were the responsibility of the Finance Manager and the GM Corporate has signed off the items. A written report is attached to provide further information.
- IV. Items 358, 360, 361, 362 & 374 remain on the register but are not reported against due to being classified as low. They are:
 - (Fin) 358 Review of the gateway mechanism for alternatives that yield the same quality control and be more collaborative and more strategic focussed rather than compliance focussed.
 - (Fin) 360 Improve effectiveness of PSP systems
 - (Fin) 361 Requirement to complete fixed asset stocktakes
 - (Fin) 362 Review of members Code of Conduct and Conflict of Interest policy
 - (Fin) 374 BI and Analytics Roadmap Original Target Date: 30/3/2018

Attachments

Attachment 1 - Organisational Improvement Register

Attachment 2 - OIR Item Removal Business Intelligence 370-373 .

Organisational Improvement Register

ID number	Indicator	Recommended & Agreed Action	Risk	Risk category	Reporting user	Target	Risk overview	Action	Action: Previous Quarter
839	329 Development and testing of an IT Disaster Recovery Plan.	In 2015 it was noted that the Fujitsu datacentre hosting contract included development of new IT Disaster Recovery management systems and processes. It is recommended that these be verified and tested.	●	Information Management / Information Technology	Mike Lamb	31/03/2018	Systems Failure	Update: May 2018 Vendor testing completed. DRP remains a living document with ongoing BAU testing of capability. Submitted for sign off	Update: Feb 20 2018 Both vendors testing is underway at present and the Infrastructure Team Lead role has been filled in Jan 2018. This role will manage the DRP establishment and this item is to be submitted for sign off.
840	339 Formal Approval of the Legislative Compliance Policy	That the policy is formally approved and made available to all staff throughout the organisation.	●	Compliance	Andre Chatfield	1/5/2018 Proposed 31/8/2018	From a compliance perspective this policy is to support compliance management. With the change in transferring to a software platform the policy will require further amendment once the preferred product has been selected and approved.	Update: May 2018 Council is reviewing compliance management software to improve management across the organisation and the draft policy is now on hold till this has been completed. Policy approvals are now managed at 3LT level which was changed in March 2018. Plan to complete this item by August 2018 is on track.	Update Feb 20 2018 Council is adopting a software platform and currently reviewing capability of two products - COMPLY and CAMMS Compliance to support management across the organisation. This function will be the responsibility of the Governance and Risk & Insurance business units.
841	340 Review of all legislation that the City Council must comply with be performed.	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.	●	Compliance	Andre Chatfield	1/5/2018 Proposed 31/8/2018	Compliance non-conformances across the organisation is to be monitored to avoid non-compliance outcomes from regulatory entities and reputational impacts.	Update: May 2018 Council is currently reviewing two software platforms to support compliance management across the organisation. Both are currently with the compliance working group for review. COMPLY and CAMMS Compliance.	Update: Feb 20 2018 Final compliance review to be completed for submission to SLT.
842	350 - Review and refresh 2010 procurement strategy to support alignment to strategy and value for money	1.1 Refresh the "all of Council" procurement strategy and ensure that it is regularly updated 1.2 Consider having yearly procurement strategies in place for each major purchasing group. History: The Procurement strategy was completed in 2011 and updated in 2014 for NZTA funded aspects of the strategy. The proposed scope is wider than previously covered by the HCC Procurement Strategy. The strategy will be reviewed during the next financial year.	●	Financials	Scott Copeland	15/7/2018	Without an "all of Council" procurement strategy Council risks groups undertaking procurements that are not aligned to Council's strategy and value for money may not be achieved.	Update: May 2018 Draft of Procurement Strategy for NZTA funded procurement has been completed and is with NZTA for review. Commencing work on wider HCC Procurement Strategy over the next month.	Update: Feb 20 2018 The work plan has commenced with Transportation and Capital Growth around the procurement strategy. Focus has been on the front end of the strategy with Transportation and expected to be completed early April. The detailed other areas of the business are to commence once these have been completed. Estimated date to be provided after Transportation and Capital Growth works has concluded.
849	364 IT risk framework be developed to identify, assess, monitor and respond to IT risks.	We recommend that an IT risk framework be developed to identify, assess, monitor and respond to IT risks. This framework should be consistent with the City Council's organisational risk framework. IT Risks are in the process of being aligned with the organisation risk framework. The IT risks are being managed as evident in the recent discussion at Audit and Risk Committee on Cyber Security and audit is progress surrounding Cyber Security.	●	Information Management / Information Technology	Mike Lamb	30/9/2018	The City Council does not have an IT risk framework in place to assess, monitor and respond to IT risks.	Update: May 2018 Adoption of the PSR framework has not yet been approved.	Update: Feb 20 2018 Councils new risk management framework platform is still being established with expectation of implementation by 30/03/2018. The adoption by IS is still progressing in line with this risk platform implementation. Work on the PSR framework adoption is still yet to be initiated due to resource and financial restrictions. A workplan is to be established by IS CTO and Risk Manager with approval sought from GM Corporate. Next progress report due June 2018.

Organisational Improvement Register

ID number	Indicator	Recommended & Agreed Action	Risk	Risk category	Reporting user	Target	Risk overview	Action	Action: Previous Quarter
850	366 Prioritise the development of the IT security framework and updating of IT policies.	Information Services has just recently procured the MPA IT Policy Management system for implementation. Part of this implementation would cover the review and communication of policies to stakeholders as applicable.	●	Information Management / Information Technology	Mike Lamb	30/5/2018 Proposed 31/8/2018	The City Council's IT policies were due for review in 2016 but have not yet been reviewed and updated. In addition, we note that there is no overarching IS security framework. We understand that a cybersecurity governance review is underway and this will drive the development of a new security framework and policies. We note that during the year an online IT induction training course has been developed to assist in training new staff.	Update: May 2018 The system is ready for implementation once presented to 3LT and approved. This has been delayed by workloads due to 10 year plan. This will require a programme of work under BAU to align policies across IT systems e.g. user on/off boarding. Requesting an extension of time until next meeting	Update: Feb 20 2018 The MPA IT Management system policies have been completed and ready for implementation after SLT approval has been obtained. This is expected to be completed by April 2018. Expected to close this item by next ARC meeting in June.
851	368 Develop procedures for reviewing and removing redundant generic (shared) network login accounts.	The City Council does not have procedures in place for reviewing and removing redundant generic (shared) network login accounts. We browsed the network account list and noted a high number of these types of accounts - many of which no longer appear to be used. Fujitsu has been engaged to review HCC's on boarding and off boarding process, focussing on Active Directory. Security levels and generic logins are included in this review.	●	Information Management / Information Technology	Mike Lamb	30/5/2018 Proposed 31/8/2018	Inefficiency and extra licence costs	Update: May 2018 This is still under monitoring and will be reviewed for closure at next meeting due to the above pre-requisite. Significant work was undertaken to resolve redundant/closed accounts as part of BAU activities. Requesting an extension of time until next meeting	Update: Feb 20 2018 The onboarding and offboarding process will be finalised after the completion of the above MPA IT policy approvals by SLT and implementation initiated. Expected to close this item by next ARC meeting.
			Risk key:				Target Date Key:		
			●	Low (not reported)			15/7/2018	On Target	
			●	Medium			30/5/2018	At Risk	
			●	High			1/5/2018	Behind Schedule	

OIR – Item amendment/removal

Item 8

Corporate/Finance

To: David Bryant c.c. Sharon Cresswell (PWC), Aaron Steele (PWC)
From: Russell Hynd
Subject: Items 370-373 – Business intelligence
Date: 15 May 2018 File:

1.0 Purpose of this Memo

To report on progress and seek removal of these items from the organisational improvement register

2.0 Item Details and Recommendations

Items 370 – 373 have been combined under the heading business intelligence development.

Recommendations from the PWC Unusual Transaction Analysis Internal Audit Report were:

1. We recommend starting with organisation-wide areas (typically Finance & HR) to expose a wider audience to regular & visual reporting.
2. Implement regular reviews of the actual use of the individual reports (currently: around 1000) to ensure that old reports are identified and removed from the enterprise reporting platform.
3. Ensure that the availability of data is clearly documented and understood. This will improve accessibility to data.
4. Introduce the role of data subject matter experts (SMEs) within the business, so that it is clear ownership of the data. The data SME will then drive the management of the data to ensure quality.
5. The data SME roles may in some cases be delivered by existing staff in conjunction with their existing roles; and that in other cases it may be necessary to provide a dedicated resource.

3.0 Develop organisation wide “Business Intelligence”

3.1 An Initial screen of existing BI use was completed.

Opal3, Power BI and Enterprise Reporter all provide BI reporting through our data warehouse plus HCC in conjunction with various professional firms (including PWC) developed a number of Excel tools that directly access data from various systems and

Attachment 2

provide BI style reporting. Samples of outputs from all three sources are attached in Appendix 1-3.

Opal3

Opal3 is currently used for reporting mainly non financial KPIs to Council, and provides reports to Council and SLT in accordance with the requirement of our Annual Report. It was procured by the Strategy Division independently from IS in 2016. Opal3 is set up to provide BI reporting for Non-Financial, Financial and Risk management. An example dashboard is provided in appendix 2.

Finance has:

1. Organised for Opal3 vendors to demonstrate the product and provide examples from Taranaki District Council which produced BI Dashboards and full Financial and Management Accounting Reporting.
2. Determined that no direct cost is associated with further development of Opal3
3. Lobbied and gained support from IS for further investigation into the potential of extending use of Opal3 into the Financial and Risk areas.
4. Reached a consensus decision that opal3 is our BI tool of choice for development of current financial reporting
5. Completed a Pilot of the Monitoring Report for one Business Unit

Finance is currently:

6. Producing a roadmap for completion of the Monitoring Report through Opal3, including establishment of KPIs, Dashboards and utilising the system to build improved commentary around financial performance. The transition to Opal3 is planned to be completed by June 2019.
7. Initiating the use of Opal3 for management of Organisational Improvement and the Organisational improvement Register with a roadmap for reporting through the Audit and Risk Committee by 29 May 2017 and developing into BAU by 30 June 2018.

Further development will incorporate current financial reporting and the Organisational Improvement Register and will further extend the use of Business Intelligence within HCC. Current use of this system meets the requirements of the recommendation and exposes virtually all parts of Council to BI reporting as well as reporting through to Council level.

Power BI

Power BI is part of the Licence cost of Microsoft Dynamics AX financial systems but is currently not in use.

Finance has:

1. Organised presentations of Power BI systems in December 2017 and again in March 2018.
2. Reached a consensus decision that Power BI does not meet our needs at this point.

Excel Tools

Various Excel tools have been and continue to be developed to improve the reporting out of internal systems. At this stage our investigation centres on Fixed Asset reporting on an as required basis in the absence of further development through other tools.

Work in Progress reporting (see appendix 1) is an example of excel being used for sophisticated BI reporting that is utilised across the organisation. *Current use of this system meets the requirements of the recommendation and exposes significant parts of Council to BI reporting*

Purpose Specific BI Tools & Applications

HCC has adopted a wide range of BI and specific purpose Management Information Systems to meet the information management and reporting needs of the organisation and its stakeholders. The following table lists these tools:

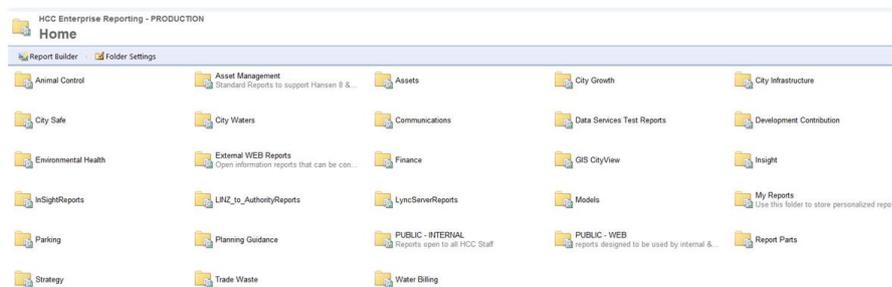
Tools and Resources	APPLICATIONS
Applications	
<p>Here you will find direct links to Council's key applications. Some of these applications will require log-in details. For a full list of Corporate Applications please click here - D-1603322 If you have any questions about the applications that appear here, please contact the Service Desk on 0800 84 84 84. Give us your feedback</p>	
Authority 6 Live	CityView
Datacom Sphere	Enterprise Reporting
E-services Admin Portal	E-services Customer Portal
E-recruitment	IPS
Ideas for Action	Insight (Business Reporting Tool)
KernMobile Console	Local Government Tenderlink
Media Place (ad/media bookings) View user guide	Promapp
Opal 3	Qlims
Service Connect	Service Desk (TSD)
Sphere	Smartrak
Service Request Management (SRM)	Unimarket
Vendor Search	Who's on Location
Vault	Yourview

4.0 Review use of “Enterprise Reporter”

Enterprise Reporter has been in use at HCC since 2012. It currently accesses data through both the data warehouse and directly from HCC financial systems. A suite of reports has been developed across various parts of the organisation with key users identified in each area. While not specifically identified as subject matter experts these users drive the use of and application of Enterprise Reporter in their respective areas.

Hamilton City Council Memo

After an initial screen to eliminate redundant reports, there are 421 currently in use across most of the organisation. An example dashboard is provided in appendix 3. The following screen shot shows the reach of Enterprise Reporter across the organisation.

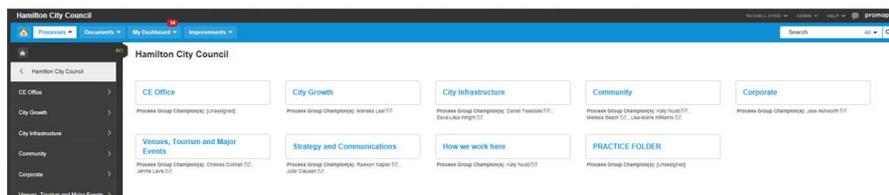
**Finance has:**

1. Reviewed current reports and dashboards and reached a consensus decision that we will maintain existing financial reporting and extend capability where appropriate but not actively build additional reporting.
2. Carried out training for finance staff and wider where appropriate to enable improved financial data analysis.
3. Encouraged business review and use of existing Enterprise Reporting through Business Support Accountants.

Historically this system has exposed significant parts of HCC to BI reporting. Business Support Accountants, users and IS screen use of reports, expanding use where appropriate and removing redundant reporting as required. These actions meet the requirements of the recommendation.

5.0 Improve process documentation

HCC has adopted the promapp system as its process mapping tool of choice. At the date of reporting all Divisions have assigned process champions



BI reporting is standard through the promapp system. All users have an interactive dashboard with action required and follow ups linked to the HCC email system. An example dashboard is shown in appendix 4.

The promapp system and its development meets the requirements of the recommendation.

6.0 Introduce subject-matter experts

Our review suggests that data validation is ongoing through internal controls and audit. Subject matter experts/owners monitor data in all areas but in some cases, particularly with use of systems is widespread, IS retains ownership and is either responsible for data or is supported by internal user groups.

Examples are:

1. Infor Public Sector – Fixed Assets Management subsystem – Owners – Asset Management Centre of Excellence.
2. PSODA – Project & Portfolio Management stand alone system – Owners – Project Management Office business unit.
3. Opal3 BI – BI reporting system with some integration through HCC's data warehouse – Owners – HCC Strategy business unit
4. Smartrak – GPS and Fleet management system – Owners – Fleet team within the Facilities business unit
5. Vault – Health and Safety Management system – Owners – People and Wellness

Where utilisation of systems is across the organisation IS retains technical ownership and key users are involved in development work. Examples are:

6. Microsoft AX Financial Systems - Owners IS/Finance - Financial system development has historically been driven primarily from IS with the Finance business unit ensuring data validity through daily management of the manual interfaces between financial and subsidiary systems (Systems Accountant).
7. Authority Billing and Accounts Receivable – Owner – IS supported by a cross-organisational user group.

7.0 Rewarding Staff for Innovative ideas

Council has established an Innovation working group responsible to develop innovation through HCC. As part of this a range of resources have been developed to enable the adoption and development of new ideas. These include workshops, training, mentoring, and direct funding.

Reward for staff is explicitly tied into Council's performance management framework administered by the People, Safety and Wellness business unit.

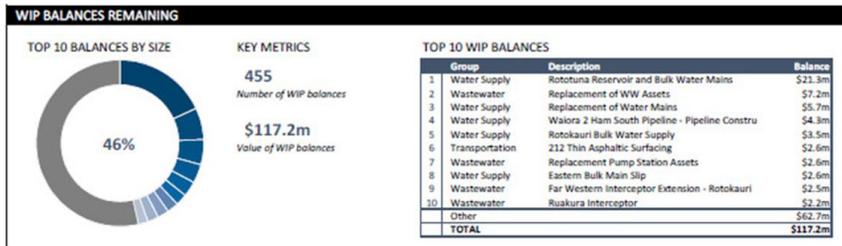
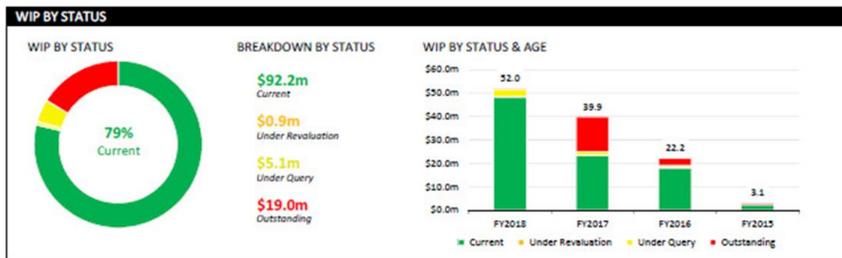
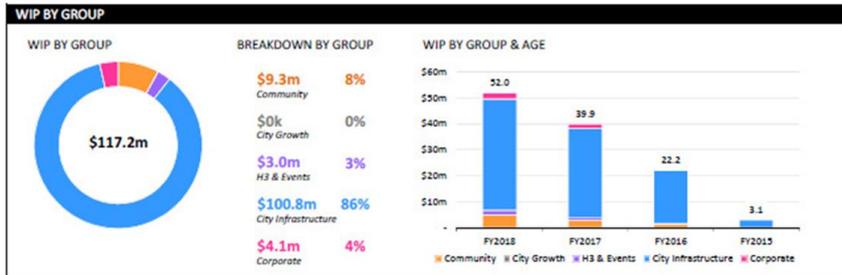
HCC has a reward and recognition programme that looks to recognise outstanding behaviours/values as well as higher levels of performance.

8.0 Recommendations

That items 371 — 373 of the organisation improvement register be marked as closed and further development is moves to business as usual.

Appendix 1: Excel Work In Progress Dashboard Sample

HAMILTON CITY COUNCIL | WORK IN PROGRESS REPORT
FOR MARCH 2018



Council Report

Committee:	Audit & Risk Committee	Date:	14 June 2018
Author:	Russell Hynd	Authoriser:	David Bryant
Position:	Finance Manager	Position:	General Manager Corporate
Report Name:	Audit and Risk Committee - Terms of Reference Review		

Report Status	<i>Open</i>
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Purpose

1. To seek a recommendation to Council for approval of a revised Audit and Risk Committee Terms of Reference (TOR).

Staff Recommendation

2. That the Audit and Risk Committee:
 - a) receives this report; and
 - b) recommends Council approval of the proposed improvement to the Audit and Risk Committee Terms of Reference.

Discussion

3. Audit and Risk Committee requested staff review the current TOR as part of the lead into the mid-term review of the Governance structure for Council.
4. The TOR for Hamilton City Council Audit and Risk Committee has been compared with guidelines provided by the Office of the Auditor General (OAG), the NZ Institute of Directors (IOD), plus TORs from three professional organisations and five other New Zealand Local Government Councils. These were:
 - PWC, KPMG, Deloitte
 - Christchurch City Council, Tauranga City Council, Waikato Regional Council, South Waikato District Council, Hurunui District Council,
5. A minimum of 4 meetings per year represents current best practice and fits in with normal HCC reporting cycles therefore no change to the number of meetings is proposed.
6. A draft amended TOR is attached along with a track changes version.

Proposed improvements

7. Para 6. Internal Audit – OAG and IOD both recommend that the underlying quality of internal controls should form the basis for internal audit work. Explicit reference to the internal control framework has been added to make this clear.
8. Para 10. Other matters – This section has been rewritten for clarity

9. Para 13. Other matters – Currently no committee has explicit responsibility to review the Risk Management Policy. While the ARC is assigned responsibility for it, the ARC is not covered by General Delegations within the Governance Structure and therefore is needs to be provided for within the TOR.
10. Special notes - 3 new special notes have been added to the TOR that are consistent with best practice and existing practice for ARC. They are:
 - I. Provision for the Chairperson to review sensitive expenditure incurred by the Chief Executive formalises current practice.
 - II. A requirement for the Chief Executive and Principal Advisor (currently GM Corporate) to advise the ARC of any matters that the ARC should be aware of outside of those identified by internal and external audit. This broadens the ARC role beyond issues raised by Internal and External Audit.
 - III. Formalising the annual self review process.

Attachments

Attachment 1 - Audit and Risk TOR - Revised clean

Attachment 2 - Audit and Risk TOR - Revised with tracked changes .

Audit and Risk Committee

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

Purpose:

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
2. Ensuring Council fulfils its legal responsibilities.
3. Monitoring the Council's external and internal audit process.
4. Ensuring the independence and effectiveness of Council's Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
6. Providing a communication link between management, internal auditors/external auditors and Council.
7. Supporting measures to improve management performance and internal controls.

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

External Audit

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

Internal Audit

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

Other Matters

9. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks.
10. Review the effectiveness of the systems for monitoring the Council's compliance with legislation, regulation, policy and guidelines (including health and safety)
11. Engage with internal and external auditors on any specific one-off audit assignments.
12. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
13. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.

The Committee is delegated the following recommendatory powers:

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

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Council appoints the external members of the committee; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election.

- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any material event of fraud or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Oversight of Policies:

- *Risk Management Policy*

Audit and Risk Committee

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

Purpose:

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
2. Ensuring Council fulfils its legal responsibilities.
3. Monitoring the Council's external and internal audit process.
4. Ensuring the independence and effectiveness of Council's Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
6. Providing a communication link between management, internal auditors/external auditors and Council.
7. Supporting measures to improve management performance and internal controls.

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

External Audit

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

Internal Audit

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

Other Matters

- ~~8.9.~~ Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks.
- ~~9.~~ Review the effectiveness of the systems for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), Council's own standards, and best practice guidelines, including on health and safety.
- ~~10.~~ Review the effectiveness of the systems for monitoring the Council's compliance with legislation, regulation, policy and guidelines (including health and safety)
- ~~10.11.~~ Engage with internal and external auditors on any specific one-off audit assignments.
- ~~12.~~ Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
- ~~13.~~ To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.

The Committee is delegated the following recommendatory powers:

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

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
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- The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any material event of fraud or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Oversight of Policies:

- *Risk Management Policy*

Council Report

Committee:	Audit & Risk Committee	Date:	14 June 2018
Author:	Russell Hynd	Authoriser:	David Bryant
Position:	Finance Manager	Position:	General Manager Corporate
Report Name:	2017/18 Internal Audit Update Q3		

Report Status	<i>Open</i>
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Purpose

1. The purpose of this report is to update the Audit and Risk Committee on PwC's Internal Audit progress to 31 May 2018.

Staff Recommendation

2. That the Audit and Risk Committee:
 - a) receives the report; and
 - b) notes that scoping for the 2017/18 Internal Audit Plan engagements has been finalised with management; and
 - c) notes that work has commenced on four engagements, as outlined in the staff report.

Discussion

3. **Internal Audit Plan - Scopes**
4. PwC and management have finalised the scopes for the following engagements:
5. Cyber Security – operational controls
The objective of this engagement is to assess the cyber threat to Hamilton City Council's critical infrastructure. Infrastructure covered includes water, transport and the corporate IT environment.
6. Capital Work in Progress
The objective of this engagement is to evaluate the capitalisation process for water, transport and vested assets.
7. Capital Project Delivery
Hamilton City Council's capital expenditure is forecast to increase from approximately \$80 million per year to approximately \$267 million per year. PwC is assisting the Project Management Office in a peer review capacity, as they undertake a project to enhance the project delivery processes to manage the forecasted increase.

8. Hamilton City Council – Internal Resource support

Hamilton City Council has appointed its own internal audit staff member. PwC is providing assistance to develop a programme, provide coaching and quality assurance for the staff member.

9. Asset Maintenance Data

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

10. **Internal Audit Plan – Progress**

11. The following progress has been made on the above internal audit engagements:

12. Cyber Security

Work has commenced at the water treatment plant and the work covering the transport system and corporate IT environment is scheduled for June 2018.

13. Capital Work in Progress

Phase one of this engagement has been completed in May 2018, involving understanding the processes and mapping the data flows. Phase two will commence after year end in July 2018 to reduce the impact on staff.

14. Capital Project Delivery

This engagement is in the planning stages with management.

15. Hamilton City Council – Internal Resource support

A draft internal audit charter and programme has been prepared. The first engagement covering fleet vehicles has been started.

16. Asset Maintenance Data

This work is scheduled for August 2018.

Financial Considerations

1. The cost of the annual internal audit programme is \$150,000 (GST excl.) and is budgeted.
2. Due to the timing of the engagements some of the budget for 2017/18 will need to be deferred until next year.

Attachments

There are no attachments for this report.

Council Report

Committee: Audit & Risk Committee **Date:** 14 June 2018
Author: Russell Hynd **Authoriser:** David Bryant
Position: Finance Manager **Position:** General Manager Corporate
Report Name: Audit Arrangements 2017/18 Annual Report

Report Status	<i>Open</i>
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Purpose

- To inform the Audit and Risk Committee that:
 - the 2017 Audit Engagement letter approved on 13 June 2017 covered both 2017 & 2018 audits and therefore no engagement letter is required for the 2017/18 audit.
 - Audit New Zealand no longer produce an Audit Arrangements letter.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Discussion

- Council Authorised an Audit Engagement letter in June 2017 that outlines the terms of the audit engagement for the financial year ended 30 June 2017 and 30 June 2018. It outlines the terms and nature of the audit engagement and the responsibilities of the Council and Audit New Zealand with regards to the financial statements and performance information.
- Audit New Zealand has advised Council that they no longer require a signed Audit Arrangements letter due to additional information being provided in the audit plan (presented at the Audit and Risk Committee meeting on 8 March 2018).

Attachments

Attachment 1 - HCC Audit Engagement Letter 2017-18 .

2 May 2017

Level 4, 127 Alexandra Street
PO Box 256, Hamilton 3240
www.auditnz.govt.nz
Phone: 04 496 3099
Fax: 07 838 0508

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

Dear Andrew

Audit engagement letter

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all "public entities", including the Hamilton City Council (the City Council) under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the City Council's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2017 to 30 June 2018.

This letter outlines:

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

The objectives of the annual audit are:

- to provide an independent opinion on the Council's financial statements and performance information; and
- to report on other matters relevant to the Council's financial and other management systems that come to our attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).

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

Your responsibilities

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

- preparing the financial statements and performance information in accordance with legal requirements and financial reporting standards;
- having such internal control as you determine is necessary to enable you to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information of which the City Council is aware that is relevant to preparing the financial statements and performance information such as records, documentation, and other matters;
 - additional information that we may request from the City Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information in accordance with the applied criteria;
- to make the audited financial statements and summary performance information available to the intended users of that information without undue difficulty; and
- to include our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on them.

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

- the resources, activities and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

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

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

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. We assume that members of the Council are familiar with those responsibilities and, where necessary, have obtained advice about them.

Our responsibilities

Carrying out the audit

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

- comply with generally accepted accounting practice; and
- presents fairly, in all material aspects its position and performance.

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

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

During the audit, we consider internal control relevant to the Council's preparation of the financial statements and performance information, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

Please note that the audit does not relieve the Council of its responsibilities. The Auditor-General expects members of the Council to be familiar with those responsibilities and, where necessary, to have obtained advice about them.

However, we will communicate to you in writing any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we have identified during the audit.

The audit team is required to be alert for issues of:

- effectiveness and efficiency – in particular, how the Council has carried out its activities;
- non-compliance with laws, regulations, and contractual requirements;
- waste – in particular, whether the Council obtained and applied the resources of the City Council in an economical manner and whether any resources are being wasted;
- a lack of probity – in particular, whether the Council and the City Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- a lack of financial prudence.

Our independence

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

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

Reporting

We will issue an audit report that will be attached to the financial statements and performance information. This report contains an opinion that provides readers with reasonable assurance on whether the financial statements and performance information have been prepared in accordance with legal requirements, are free from material misstatements, and comply with financial reporting standards. It may also contain comment on matters such as compliance with statutory obligations and other matters that we consider may be of interest to the readers of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the financial statements and performance information.

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council (for example, internal control weaknesses, probity matters, or compliance with statutory obligations). We may also provide other management letters to the City Council from time to time. We will inform the Council of any other management letters we have issued.

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

Next steps

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

Appendix 2 contains some additional "other" responsibilities for the audit.

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

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

Yours sincerely



Leon Pieterse
Director
On behalf of the Auditor-General

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

Signed  Date 29/6/17
Andrew King
Mayor

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

Responsibilities of the Council	Responsibilities of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and, where appropriate, other accountability statements that comply with generally accepted accounting practice in New Zealand and that present fairly, in all material respects the activities of the City Council during the year, and its financial position at the end of the year.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to the appointed auditor before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General, and to form an opinion on whether the City Council's financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice in New Zealand, and presents fairly, in all material respects the position and performance of the City Council.</p> <p>We will also read other accompanying information to the financial statements and performance information to identify whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance;

Responsibilities of the Council	Responsibilities of the Appointed Auditor
	<ul style="list-style-type: none"> • the appropriateness of the content and measures in any non-financial accountability statements; • the adequacy of all disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made to us about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern assumption is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information; • all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed; and • uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of the City Council; • enable you to monitor the resources, activities, and entities under its control; • enable the City Council's financial position to be determined with reasonable accuracy at any time; • enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and • are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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

Responsibilities of the Council	Responsibilities of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that City Council has systems, policies, and procedures (appropriate to the size of the City Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the City Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will assess whether you have systems, policies, and procedures to ensure compliance with those legislative, regulatory, and contractual requirements that are relevant to the audit. We will either perform specific audit tests to assess whether you have complied with statutory requirements that are relevant to the audit or will maintain an awareness for possible non-compliance that may be relevant to the audit.</p> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws, regulations, and contractual requirements that we consider may be relevant.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity. Specifically, we will be alert for significant instances where members and employees of the City Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant instances of departure from expected standards of conduct and personal integrity.</p> <p>The Auditor-General, on receiving a report from us, may, at their discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>

Responsibilities of the Council	Responsibilities of the Appointed Auditor
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties and will be alert for other material related-party transactions. We will check that you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on City Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If you intend to publish or reproduce the financial statements and performance information, together with the audit report, on a website, you must, before publication, provide us with a draft version of the documents to read and must obtain our approval to include the audit report with the information you intend publishing on the website.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes and accounting policies as well as any other accountability statements.</p> <p>If you intend to post any new material not previously read by us, you must advise us before posting the new material.</p>	<p>We will perform procedures to satisfy ourselves that the information you intend including on your website is consistent with the audited financial statements and performance information and that the audit report will not be inappropriately associated with any information that has not been audited.</p> <p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p> <p>We will review the material on initial posting and on notification from you that new material has been posted on the website. We do not carry out ongoing monitoring of the material on your website.</p>

Appendix 2: Other responsibilities

To meet the reporting deadlines, we are dependent on receiving the City Council's financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice and present fairly, in all material respects, the activities and position of the City Council and are supported by proper accounting records and complete accounting records and complete evidential documentation.

We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.

The workpapers that we produce in carrying out the audit are the property of the Auditor-General. Workpapers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Council Report

Committee:	Audit & Risk Committee	Date:	14 June 2018
Author:	Russell Hynd	Authoriser:	David Bryant
Position:	Finance Manager	Position:	General Manager Corporate
Report Name:	Audit of the Hamilton City Council Long Term Plan Consultation Document 2018-28		

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit and Risk Committee on the audit of the 10-Year Plan Consultation Document 2018-28.

Staff Recommendation

That the Audit and Risk Committee receives the report.

Attachments

Attachment 1 - Audit NZ - Hamilton City Council LTP CD 2018-28 Management Report .

Report to the Council on the audit of
Hamilton City Council's
Long Term Plan Consultation Document for the period
1 July 2018 to 30 June 2028

Report to the Council

We have completed the audit of the Hamilton City Council’s (the City Council) Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. This report draws attention to our detailed findings from the audit, and where appropriate makes recommendations for improvement.

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Key messages

We have completed the audit of the City Council's Long Term Plan Consultation Document (LTP CD) for the period 1 July 2018 to 30 June 2028 and we issued an unmodified opinion on 27 March 2018.

The City Council's LTP CD seeks feedback from the community in four main areas: proposed rates increases; where the City's next big growth area should be; investment in transportation improvements; and investment in community infrastructure. We are satisfied that the City Council's LTP CD provides adequate information on the impacts on rates, debt and levels of service for the options proposed, and as such the LTP CD provides an effective basis for public participation in the Council's decisions about the proposed content of the 2018-28 LTP.

Subsequent to the adoption of the underlying information an input error was identified in the development contributions model that resulted in the overstatement of expected revenue from development contributions over the 10 years of the plan. As development contributions are used to repay debt, this also resulted in an understatement in the debt position over the 10 years of the plan. The total impact on debt over the 10 years of the plan is approximately \$47 million. In response to the identified input error, the City Council obtained legal advice and responded to the recommended actions within the advice, which included publishing additional information on the City Council's website and notifying those who had already submitted of the identified error.

Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that is required to be adopted before 1 July 2018.

Prior to the commencement of the 30 June 2019 financial year, the Council will need to ensure that there are systems in place to monitor its actual performance against budgets, levels of service achieved and performance measures as included in the LTP. These systems will assist with annual reporting, and also internal monitoring and reporting to the Council.

Thank you

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



Leon Pieterse
Audit Director
11 May 2018

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the City Council's LTP CD on 27 March 2018.

This meant we were satisfied the City Council's LTP CD met the statutory purpose of providing an effective basis for public participation in the Council's decisions about the proposed content of the 2018-28 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the proposed LTP.

1.2 Unadjusted misstatements

During the course of the audit, we found a number of misstatements and errors and considered if they were individually or collectively material to the LTP CD.

We discussed these misstatements with management who made a number of corrections. The significant misstatements (that is, not clearly trivial) that have not been corrected are listed in Appendix 1 along with management's reasons for not adjusting these misstatements.

1.3 Amendments to the underlying information subsequent to the issue of our audit opinion

Subsequent to the adoption of the underlying information and consultation document an input error was identified in the development contributions model that resulted in the overstatement of expected revenue from development contributions over the 10 years of the plan. As development contributions are used to repay debt, this also resulted in an understatement in the debt position over the 10 years of the plan. The total impact on debt over the 10 years of the plan is approximately \$47 million.

The forecast development contributions revenue presented in the adopted information reflects the decision of Council as at 6 December 2017. Prior to issuing our audit opinion on the consultation document we gained sufficient assurance over the material inputs into the calculation of this revenue stream and were satisfied that the forecast development contributions revenue was reasonable in the context of the City Council's proposed LTP. Subsequent to our audit work, City Council staff provided updated development contributions forecasts to reflect various changes made to the modelling. This update was provided on 4 March 2018, and showed a total increase in forecast development contributions revenue of \$805,000 over the 10 years of the plan. A further update was then provided on 16 March 2018 to reflect the decision to introduce caps for non-residential charges where the total charge for any individual development exceeded \$60,000 per 100m² floor area. This further update estimated that \$1.2 million in revenue would be foregone over the 10 years of the plan as a result of the change, taking the total changes advised to a net movement of \$400,000 over the 10 year period. Given the cumulative size

of the changes advised we were satisfied that the forecast development contributions revenue, as set on 6 December 2017, remained a reasonable and supportable basis for the preparation of the proposed LTP. As such, no amendments were requested at the time our audit opinion was expressed.

On 4 April, we were advised by City Council staff of the input error which was as a result of the incorrect keying into the model of the interest rate for the 2013 year. This resulted in the cumulative overstatement in development contributions revenue and understatement of debt over the 10 years of the plan. For full details of the identified error please refer to Appendix 1.

Both management and Council are of the opinion that these amendments are not material to the matters being consulted on with the community. On that basis we sought additional representation from the City Council in respect of the unadjusted misstatements (as outlined in Appendix 1 of this report).

Further, in response to identifying the amendments, the City Council sought legal advice and took the following actions:

- published additional information to reflect the changes in forecast development contributions revenue and debt; and
- notified residences who had already submitted feedback (and provided an email address) on the LTP CD of the amendment and that the additional information was available on its website.

We are satisfied that the City Council has taken the actions recommended in the legal opinion in relation to ensuring an effective consultation process with the community on the proposed content of its LTP.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 22 November 2017.

3 Control environment

Our approach to the audit was to identify, confirm and assess the City Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

Overall we assessed the control environment for the LTP CD to be effective for audit purposes.

4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

4.1 Timing and funding of growth

During audit planning we identified the timing and funding of growth as a key risk in the preparation of the City Council's 2018-28 LTP. The city is continuing to experience significant levels of growth, which exceed the growth rate expected under previous Long term plans.

The City Council has applied growth projections prepared by the National Institute of Demographic and Economic Analysis (NIDEA) in the development of its LTP CD and underlying information.

The City Council is seeking public feedback on where the next big growth area should be, with Council's preference being the prioritisation of growth in the south-west of the city in Peacocke. Growth in Peacocke is eligible for interest free funding under the Government's Housing Infrastructure Fund (HIF) and as such, would likely result in significant interest savings over the period of the plan. The alternative option is to prioritise growth in the City's north-west (in Rotokauri).

We are satisfied that the LTP CD appropriately discusses the impact of growth on the city, and the implications of the options proposed. We are satisfied that Council's preferred option has been appropriately reflected in its financial forecasting, financial strategy and infrastructure strategy.

4.2 Affordability and sustainability of the financial strategy

Affordability and sustainability of the financial strategy was identified as a key audit risk, given the City Council's intention to increase rates and debt over the period of the plan.

The City Council's draft financial strategy proposes an increase in rates of 9.5% in each of the first two years of the plan, returning to 3.8% per annum thereafter. These increases are proposed to ensure that operating revenue is sufficient to meet operating costs and to allow for the repayment of debt during the later period of the plan. The City Council's strategy also includes an increase in the limit on debt, increasing the ratio of net debt-to-revenue from 200% to 230%. We are satisfied that this limit is prudent, as it is within the limits imposed by the City Council's lenders (the Local Government Funding Agency imposes a debt-to-revenue ratio of 250%). In addition, the City Council's limit provides headroom in case of unexpected events, given the 20% difference between Council's limit and that of its lenders.

We note that the City Council had started to experience decreases in levels of service, following six years of austerity budgets. The City Council has not proposed any decreases in

levels of service over the period of the 2018-28 plan, and the financial strategy focuses on ensuring sufficient funding is available to maintain service levels set under previous Long term plans.

We are satisfied that the draft strategy is prudent and achieves the purpose under the Act. We are satisfied the LTP CD appropriately summarises the key matters included in the draft strategy.

4.3 Infrastructure strategy

We reviewed the draft infrastructure strategy and are satisfied that it provides an appropriate overview of the City Council's intentions regarding management of its water, wastewater, stormwater, transport, parks and green spaces and community and events assets. The draft strategy appropriately discusses the significant works planned for the upcoming 30 years in these asset areas.

The document meets the requirements of section 101B of the Local Government Act 2002 and satisfies its primary purposes of promoting accountability. We are satisfied the LTP CD appropriately summarises the key matters included in the draft strategy.

We noted some opportunities to further reflect good practice or improvements that we recommended for inclusion in future infrastructure strategies. We have communicated these to management for consideration. We will follow up as part of our audit of the final LTP document.

4.4 Assumptions

We reviewed and assessed the appropriateness of assumptions that the City Council has established as a basis for the development of the LTP CD. In particular, we tested the assumptions on growth, interest rates, inflation, return on investments, and property, plant and equipment revaluations.

We are satisfied that the assumptions are appropriate and have been consistently applied in the development of the LTP CD underlying information.

4.5 Quality of asset related forecasting information

We found the asset management control environment to be reliable for the purposes of supporting the LTP CD. In reaching this assessment we considered the quality of asset management information and the accuracy, reliability and supportability of the flow of information from asset management planning into the LTP CD.

We note that the City Council continues to progress improvements identified in its asset management improvement plans, and that data reliability for water and wastewater treatment plant assets remains an area for improvement. We are satisfied that the data reliability concerns noted in regards to these assets do not materially affect the reliability of

the City Council's financial forecasting, and that improvements continue to be made in respect of the asset data in this area.

4.6 Performance management framework

The City Council has restructured its groups of activities and replaced a number of its existing performance measures in the development of the information underlying the LTP CD.

We reviewed the revised performance framework and made a number of recommendations to management in regards to the new framework. We are satisfied that management has appropriately incorporated this feedback into the draft framework.

4.7 Content of the LTP CD

We were satisfied that the LTP CD included appropriate information to enable consultation with the public on key issues.

4.8 Adopting and auditing the underlying information

The City Council prepared and adopted the underlying information necessary to support the LTP CD.

We note that the City Council is consulting on its development contributions policy and rating review alongside the LTP CD. We did not review these documents as part of our audit of the LTP CD, as they are outside the scope of our audit work.

4.9 Project management, reporting deadlines and audit progress

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process. The City Council had detailed project plans in place, which identified critical pathways to support the preparation of the LTP CD and underlying information.

We met with City Council staff frequently throughout the LTP CD audit to ensure that outstanding matters were progressed. We appreciate the efforts of staff to keep us informed of progress and developments throughout the LTP CD audit.

Overall, the City Council was well prepared for the LTP CD audit. However, there were delays in receiving a complete consultation document (incorporating all required financial information), and aspects of the underlying information were not prepared to the expected standard (for example, application of the inflation assumption).

As a result of these delays, and the additional audit work required in areas where the underlying information was not of the expected standard we have incurred extra time costs above those expected in the agreed audit fee. The audit work required in relation to the development contributions error (section 1.3 above) has also resulted in additional time

costs above and beyond those included in the agreed audit fee. We will discuss with management potential cost recoveries as a result of the additional audit work undertaken.

5 Other matters arising from our audit

We completed our planned work on the modules detailed in our audit proposal and arrangements letter and identified the following:

5.1 Accountability over grant payments made for the Waikato Regional Theatre

Following the closing of Founders Theatre in 2016, the City Council has investigated options for a new theatre to be constructed in the city. Momentum Waikato are leading a proposal for a new Waikato Regional Theatre to be constructed on the banks of the Waikato River.

The City Council has proposed to provide \$25 million of funding in association with the new Waikato Regional Theatre. The City Council intends to fund \$19 million through debt, and \$6 million through other sources. In addition to this grant funding, we understand that the City Council intends to provide an annual maintenance grant of \$1.1 million. The Waikato Regional Theatre, once constructed, will not be owned by the City Council.

We understand that no formal accountability structures have been agreed upon between Hamilton City Council and Momentum Waikato in respect of the proposed new theatre. The capital grant, and ongoing operating grants, represent a significant investment on behalf of the City Council and as such, we encourage management and Council to consider how accountability will be established over the operations and maintenance of the Waikato Regional Theatre.

Consideration should be given to the operating structure and ownership of the theatre; decision making responsibilities around the operation and maintenance of the theatre; and reporting requirements back to the City Council. We recommend that legal advice is sought in respect of the reporting requirements (if any) of any new entity established to oversee the operations of the theatre.

6 Audit of the final LTP

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in two parts, firstly in the week commencing 7 May 2018 and then to be completed over two weeks, in the week commencing 11 June 2018.

As per our audit engagement letter we had planned to commence the second LTP audit visit on the week commencing 5 June 2018. However, following discussions with City Council staff we now expect that the required information will not be available at this date. As such, we have delayed our audit visit by one week.

As a result of the error found in the development contributions model aspects of the City Council's LTP and our audit evidence will be subject to review by the Office of the Auditor-General before it is adopted.

The timeframe for City Council staff to prepare the LTP following Council deliberations, and the subsequent audit of the LTP is very tight. The Council's ability to adopt its LTP on 28 June 2018 is therefore at risk, especially if the information prepared is not of the expected standard or not available at the expected date.

To ensure our audit of the LTP is efficient we expect the City Council to prepare a schedule of changes to the financial forecasts, performance framework and other underlying information that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP we will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

Appendix 1: Uncorrected misstatements

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Forecast statement of comprehensive revenue and expense											
1	Inflation errors – expected impact on surplus/(deficit)	57	222	404	567	771	977	1,199	1,442	1,688	1,966
2	Development contributions revenue – expected impact on surplus/(deficit)	(2,010)	(2,844)	(3,295)	(3,560)	(3,562)	(3,590)	(3,458)	(3,319)	(3,411)	(3,372)
3	Interest expense – expected impact on surplus/(deficit)	(52)	(178)	(347)	(545)	(769)	(998)	(1,235)	(1,491)	(1,763)	(2,055)
	Total impact on surplus/(deficit)	(2,005)	(2,800)	(3,238)	(3,538)	(3,560)	(3,611)	(3,494)	(3,368)	(3,486)	(3,461)
Forecast balance sheet											
4	Increase to Borrowings required	2,062	5,201	9,115	13,611	18,424	23,595	28,950	34,494	40,532	46,927

- 1 The City Council has not adjusted for inflation errors identified in overhead areas due to the complexity of reallocating the corrections across funding impact statements. These unadjusted errors are not material individually, or in aggregate, to the forecast financial statements. We understand that management intends to correct these misstatements prior to the adoption of the Long term plan in June 2018.
- 2-4 The City Council has not adjusted for differences identified in development contributions revenue, following the identification of an input error in the development contributions model. This has resulted in the overstatement of development contributions revenue and the understatement of interest expenses and debt in the underlying information. The City Council has made additional information available to the public regarding these differences. For further comments please refer to section 1.3 of this report above.

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 22 November 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We confirm that, for the audit of the Hamilton City Council's LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>During the audit one non-influential independence mitigation was managed. This relationship has been reported to the Audit and Risk Committee.</p> <p>In addition to our work in carrying out all legally required external audits, we have provided an assurance report on certain matters in respect of the City Council's Debenture Trust Deed and an assurance review regarding certain Council processes has started. These assignments are compatible with the independence requirements of the Auditor-General. Other than these assignments, we have no relationship with or interests in the City Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the end of the financial year.</p>

Area	Key messages
Unresolved disagreements	We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit 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. Legal Review of Contingent Liabilities) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

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

Item C1.	to maintain legal professional privilege	Section 7 (2) (g)
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