

Notice of Meeting:

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

Date: Monday 18 December 2017
Time: 12.30pm
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

11 December 2017

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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*

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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:** 18 December 2017
Author: Rebecca Watson **Authoriser:**
Position: Committee Advisor **Position:**
Report Name: Audit and Risk Committee Unconfirmed Minutes - Open - 5 September 2017

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

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

Attachments

Attachment 1 - Audit & Risk Committee Minutes - Open - Unconfirmed - 5 September 2017 .

Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room One, Municipal Building, Garden Place, Hamilton on Tuesday 5 September 2017 at 1.00pm.

PRESENT

Members:	Paul Connell – Chairperson Mayor Andrew King Keiran Horne Cr Garry Mallett Cr Paula Southgate Cr Rob Pascoe
Attendees:	David Bryant – General Manager Corporate Tracey Musty – Financial Controller Sean Murray – General Manager Venues Tourism and Major Events Kelvyn Eglinton – General Manager City Growth Barnaby Pace - Risk Manager Andre Chatfield – Risk and Insurance Manager Dan Finn - People, Safety & Wellness Manager Jen Baird – Unit Manager Communications and Marketing Nigel Ward - Communication Team Leader Leon Pieterse – Audit Director of Audit NZ
Governance Advisors:	Lee-Ann Jordan – Governance Manager Claire Guthrie , Amy Viggers, Rebecca Watson - Committee Advisors

1. Apologies

Resolved: (Mr Connell/Cr Mallett)

That the apologies from Mayor King (for lateness) and Cr Macpherson are accepted.

2. Confirmation of Agenda

Resolved: (Mr Connell/Cr Southgate)

That the agenda is confirmed.

Audit & Risk Committee 5 SEPTEMBER 2017 - OPEN

3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

4. Public Forum

No members of public wished to speak.

5. Audit and Risk Committee Unconfirmed Minutes - Open - 13 June 2017

Resolved: (Crs Mallett/Pascoe)

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 13 June 2017 as a true and correct record.

6. Organisational Improvement Programme Update Report

The Risk Manager spoke to the report and noted that the number of items identified on the Organisational Improvement Programme report had been reduced from over 150 items to 7 in the last 18 months.

Staff responded to questions from Committee Members concerning the status of items and whether there was a risk that the organisation could be operating outside of statutory legislative compliance.

Resolved: (Ms Horne/Mayor King)

That the Audit and Risk Committee receives the report.

Mayor King joined the meeting at 1.10pm during the above item. He was present when the matter was voted on.

7. Risk Management Report

The Risk and Insurance Manager spoke to the report, he noted that there were three key risks identified at a recent workshop for the Audit and Risk committee to consider whether they should/should not remain on the Risk Management Report. These included:

- Reputation of Hamilton
- Financial Strategy Failures
- Cyber-Attacks.

Resolved: (Crs Mallett/Pascoe)

That the Audit and Risk Committee receives the report; and notes the following advice to management regarding the risk register:

Resolved: (Cr Mallett/Mayor King)

That the reputation of Hamilton be removed from the key risk register.

Crs Pascoe and Southgate Dissenting.

Resolved: (Mr Connell/Cr Southgate)

That the Audit and Risk Committee request the Chief Executive to review and update the Financial Strategy Failures risk wording and circulate to members for feedback once updated.

Resolved: (Mr Connell/Mayor King)

That cyber-attacks remain as a separate item on the key risk register.

8. Health and Safety Report

The People, Safety & Wellness Manager took the report as read. Key staff from the newly formed People, Safety & Wellness team were introduced to the Committee. The focus for the team would be working on framework and strategy, and fostering a safe and just culture within the organisation.

Resolved: (Mayor King/Cr Mallett)

That the Audit and Risk Committee receives the report.

9. Audit NZ Interim Management Report 2016/17

The Financial Controller introduced the report and responded to questions from Committee Members concerning fixed asset stocktake controls and how these were being managed.

Resolved: (Crs Pascoe/Mallett)

That the Audit and Risk Committee receives the report.

Audit & Risk Committee 5 SEPTEMBER 2017 - OPEN

10. 2016/17 Annual Report and Audit NZ Clearance

The Financial Controller, along with Leon Pieterse from Audit NZ introduced the report and noted that there were some delays finalising the audit report. The finalised accounts would be available for adoption at the 18 October 2017 Council meeting, not the 21 September 2017 Council meeting as originally planned.

Resolved: (Mr Connell/Cr Southgate)

That the Audit and Risk Committee receives the report.

11. 2016/17 Internal Audit Update Quarter 4

The Financial Controller took the report as read. Staff responded to questions from Committee Members concerning the 'Unusual Transaction Analysis' report and the 'Procurement' Report.

Resolved: (Mr Connell/Cr Pascoe)

That the Audit and Risk Committee:

- a) receives the report; and
- b) notes that the 2016/17 internal audit programme has been completed except for one part of the unusual transactions analysis which is due to be completed by 8 September 2017.

12. Draft Internal Audit Plan for the 2017/18 Year

The Financial Controller spoke to the report, and noted that PWC had been appointed as Internal Auditors for the organisation for the next three years. The plan and timing for future internal audits was outlined in the staff report.

Resolved: (Cr Mallett/Mr Connell)

That the Audit and Risk Committee:

- a) receives the report; and
- b) approves the proposed development of the three year internal audit plan, the 2017/18 internal audit plan and the commencement of the next phase of internal audit work relating to cyber risk.

Resolved: (Mayor King/Mr Connell)

That the Audit and Risk Committee requests that staff report back to the 7 December 2017 Audit and Risk Committee meeting with costs associated to the running of the Audit and Risk Committee as well as the cost savings made.

13. Resolution to Exclude the Public

Resolved: (Crs Southgate/Mallett)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Audit and Risk Committee Unconfirmed Minutes - Public Excluded - 13 June 2017) 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)

The meeting went into a public excluded session at 4.20pm.

The meeting was declared closed at 5.10pm.

Council Report

Committee: Audit & Risk Committee **Date:** 18 December 2017
Author: Rebecca Watson **Authoriser:**
Position: Committee Advisor **Position:**
Report Name: Audit and Risk Committee Unconfirmed Minutes - Extraordinary Meeting - Open - 13 October 2017

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

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

Attachments

Attachment 1 - Audit & Risk Committee Minutes - Extraordinary - Open - 13 October 2017.

Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Friday 13 October 2017 at 2.00pm.

PRESENT

Members: Paul Connell - Chairperson
Mayor Andrew King
Cr Garry Mallett
Cr Paula Southgate

Attendees: David Bryant – General Manager Corporate
Tracey Musty – Financial Controller
Leon Pieterse – Audit Director of Audit NZ
Jared Williams – Manager Audit NZ
Nigel Ward – Communication Team Leader
Tamara Jankovic – Organisational Support Team Leader

Governance Advisors: Becca Brooke – Governance Team Leader
Rebecca Watson – Committee Advisor

1. Apologies

Resolved: (Mr Connell/Cr Mallett)

That the apologies from Cr Macpherson, and Ms Horne, be accepted.

2. Leave of Absence

Leave of absence for Cr Pascoe (19 September 2017 to 24 October 2017 inclusive).

3. Confirmation of Agenda

Resolved: (Mr Connell/Cr Mallett)

That the agenda is confirmed.

Audit & Risk Committee 13 OCTOBER 2017 - OPEN

4. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

5. Public Forum

No members of the public wished to speak.

6. Annual Report 2016/2017 and Audit NZ Clearance – *(Recommendation to Council)*

Staff and Leon Pieterse from Audit NZ spoke to the Annual Report, and noted that there were some minor changes to be made, primarily spelling errors and the inclusion of a paragraph into the audit letter regarding health and safety, before this was recommended to the Council.

Resolved: (Mr Connell/Cr Mallett)

That the Audit and Risk Committee:

- a receives the report; and
- b. recommends to Council the adoption of the Annual Report 2016/17, subject to minor changes and spelling corrections, and the inclusion of a paragraph regarding health and safety.

The meeting was declared closed at 2.27pm.

Council Report

Item 7

Committee: Audit & Risk Committee **Date:** 18 December 2017
Author: Andre Chatfield **Authoriser:** David Bryant
Position: Risk and Insurance Manager **Position:** General Manager Corporate
Report Name: Organisational Improvement Programme Update

Report Status	<i>Open</i>
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Purpose

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

Staff Recommendation

That the Audit & Risk Committee receives the report.

Background

2. Council's risk management programme includes the completion of 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. There are currently 22 open items on the Organisational Improvement Programme Register.
5. Since the last reporting period 2 items have been closed with a further seven items marked for closing.
6. There are no overdue items.

Attachments

Attachment 1 - Organisational Improvement Register Dec 2017.

Organisational Improvement Programme Register: Database (Open Items)														
Internal Ref	Audit Information						Risk Assessment		Improvement Action Plan					
No.	Status (O,C)	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Flag	Action to be Taken	Owner	Target Completing Date	GM	Signed Off	Evidence
307	Open	Property, plant and equipment	Ensure disposal and additions in the asset management systems are reconsider to the financial system on a monthly basis and also formalise the process around disposals and capitalisations June 2017: We note that reconciliations have not been prepared in a timely manner, and have not been subject to independent review. We recommend that these reconciliations are prepared each month and are independently reviewed.	Audit NZ Draft Interim Audit Management Report June 2017	P3	Staff agree, Hansen 8 was only partially operations for parks assets in 2014/2015. From 1 July 2015 Hansen 8 is being used by Parks and Open Spaces and Hamilton Gardens. Three waters reticulation assets will be operation in H8 by the end of December. Reconciliations between H8 and AK financial are being prepared monthly from July 2015. As we are developing new systems policy and procedures need to be documented. We have identified that with the changes in responsibilities for the management of asset information there is a need for more training and development of formal policies.	High		Follow Up Comment 18/05/16 An asset management organisational improvement plan has been put in place to address this issue. Currently, monthly reconciliations between the asset management systems and the finance systems are not being performed. Further work is required to ensure that the systems are generating data that can be reconciled easily on a frequent basis so this process is not time consuming and difficult. Follow Up Comment 7/11/2017 The AMPS are nearing completion with the pending approval of the LTP. In support of this is the Asset Management Improvement Programme that includes improvement to reconciliation of asset data. Recommendation is next quarterly review a progress report is obtained to confirm improvement finding address and if proven submitted for closing.	Financial Controller	14/03/2018	GM Corporate		
344	Open	A strategy for the management of strategic lease properties should be developed and implemented	A strategy document ("Operational Property Plan for Hamilton City Council") was drafted in March 2011. This document included objectives for property management activities and a strategy for achieving these objectives. However it was not presented to Council or approved. There is no current formalised strategy document in place to provide direction to the activities of the SPU in relation to strategic lease properties. Management should refresh the strategy document and clearly define the strategic objectives and the strategy to be followed for property management activities, including disposal and future property acquisition. Once developed, the strategy should be submitted to Council for approval and implemented.	PWC Internal Audit Strategic Lease Property Process Assessment	P6	A Strategic Plan for the management of Council's property will be developed and submitted to Council for approval. Council has adopted a new Municipal and Domain Endowment Funds Policy and resolved to reactivate Hamilton Properties Limited. Council will consider a report with further options on 9 March 2017	High		Update: May 2017 Council has signed off on the reactivation of Hamilton Property Ltd. Work currently under way on approved timetable. Update: August 2017 Council has signed off on the reactivation of Hamilton Property Ltd. Work currently under way on approved timetable. Update: Dec 2017 A resolution to dissolve Hamilton Property Ltd is currently underway. The Companies Office will be advertising the intention on 14/12/2017 and there will be a 20 day period that notice remains live. This is expected (without objections) to be finalised on 16/01/2018	Strategic Property Unit Manager	30/01/2018	GM City Growth		
315	Open	Other less significant matters	An internal review performed over H3's revenue and expenditure systems to ensure adequate controls are in place June 2017: H3 now has processes in place where new debtors are approved before being entered into the system. Invoices are still not reviewed before being sent out to the debtor. The creditor Masterfile report is still not being run. H3 are working on working out a method of how that report can be generated. They are currently in the process of deciding the parameters that would be required to be run. Bank reconciliations are prepared daily and at the end of the month. The reconciliations are now being approved. Daily reconciliation preparer and reviewer audit trail is maintained in the system. Monthly reconciliation reports are printed and signed as evidence of review. Follow Up comment 18.05.16 From our review of the revenue systems at H3, we have identified that management do not see any risks around invoices not being independently reviewed prior to be sent to customers or new debtors not being independently checked. This is because every invoice or new debtor is supported by a contract and customers would complain if the amount invoiced would be incorrect.	Audit NZ Draft Interim Audit Management Report June 2017	P4	Staff agree and the newly appointed H3 finance Manager will be address the matters as follows: An Integrity Control register will be established within H3 Group to manage the recording of key Integrity checks. This will be reported to management as a part of the regular Internal reporting.	Moderate		Follow Up Comment: 13/11/17 The only item that was outstanding is the creditor master file which is still being addressed by an upgrade to the system. Confirm whether additional functionality supports this mitigation will be determined and an alternative mitigation will be identified. Update expected end of December 2017.	H3	30/03/2018	GM H3 & Events		

350	Open	Strategic Procurement Improvements	<p>The current overall procurement strategy was created in 2010 and needs to be refreshed. The strategy should be developed on a holistic basis to ensure it aligns with overall Council strategy.</p> <p>The lack of strategic procurement direction at an "all of Council" level means that some larger groups have undertaken their own analysis and obtain external advice on procurement strategy.</p> <p>Strategic procurement should also be applied at an individual procurement level in terms of a greater focus on upfront planning and communication with suppliers (refer to appendix IV).</p> <p>Risk / Implication Without an "all of Council" procurement strategy Council risks groups undertaking procurements that are not aligned to Council's strategy and value for money may not be achieved.</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	P5	<p>The Procurement strategy was completed in 2011 and updated in 2014 for NZTA funded aspects of the strategy. The proposed scope is wider than previously covered by the HCC Procurement Strategy. The strategy will be reviewed during the next financial year.</p> <p>AGREED RECOMMENDATIONS 1.1 Refresh the "all of Council" procurement strategy and ensure that it is regularly updated 1.2 Consider having yearly procurement strategies in place for each major purchasing group</p>	Moderate	<p>Follow Up Meeting 3/11/17 Target is to commence in February 2018 with engagement with a full plan to be developed once business requirements for what is contained in the scope of the strategy are agreed and buy in from SLT is obtained. Target is completion by end of financial year.</p>	Procurement Manager	15/07/2018	GM Corporate			
359	Open	Outdated procurement templates	<p>Observation The templates within the procurement manual don't necessarily align with the needs of the groups. This means that there is duplication of documents between group templates (self-developed) and Procurement templates.</p> <p>The Council manual is still using 39102003 which has been superseded by the latest version is 39102013 which is now the standard in the construction industry.</p> <p>Risk / Implication Centralised procurement templates require regular updates and may not meet the requirements of all users, resulting in inefficiencies, duplication and variations in practice.</p> <p>Outdated contract templates (e.g. 3910) may increase the risk to Council. 4.1 If the Council wants to continue to use fixed templates, then they should be updated regularly (6 monthly) and incorporate feedback from the users or procurement could approve certain groups templates to be used in addition to the standard templates. 4.2 Update the 3910 contract documentation to the 2013 version, once appropriate training has been</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17		<p>The Procurement Policy and Procedures Manual and templates goes through a two yearly review cycle as well as mini reviews of any urgent updates on an as required basis. A major review is being undertaken this year and this includes a review of all NZS3910 standard templates with a view to moving to the current standard. The current NZS3910 standard does not hold significant changes from the modified NZS3910 standard Council currently uses.</p>	Moderate	<p>Follow Up Meeting 3/11/17 Procurement have the Senior Procurement Advisor back from maternity leave for two days a week from late October and her focus will be on addressing these findings. We have commenced the review of the NZS3910 in conjunction with Tompkins Wake in the last week of October. Target is new NZS3910 templates available for senior users and procurement manual updates in place by December. Training and full roll out is expected by March 2018.</p>	Procurement Manager	30/01/2018	GM Corporate			
372	Open	Business Intelligence Maturity Scan Light Quality and Process	<p>There is no programme across the organisation to ensure that master data and data quality are managed appropriately.</p> <p>Recommendations: Introduce the role of data subject matter experts (SMEs) within the business, so that it is clear ownership of the data. The data SME will then drive the management of the data to ensure quality.</p>	August 25/17 PwC Unusual Transaction Analysis Internal Audit Report	P6	<p>The above exercise (1.371) will address the areas of Governance and Engagement within which the requirement for Data Quality and Process Ownership will be clearly defined.</p>	Moderate	<p>Follow Up Comment 6/12/2017 As above (370) finance response to this finding will be addressed collectively.</p>	Financial Controller	30/03/2018	GM Corporate			
349	Open	Property management system should be considered to increase the efficiency of property management processes	<p>The strategic property portfolio management processes are currently supported by a Microsoft Access database and a paper based filing system. As such, property files including contracts, correspondence with leases, rental assessments etc. are all retained in hard-copy and are inefficient to manage.</p> <p>The current system does not facilitate efficient budgeting, reporting, and management at an individual property level. This reduces the quality of any budgeting and reporting for the SPU as a whole.</p>	PwC Internal Audit Strategic Lease Property Process Assessment	P13	<p>Management will consider implementing a property management system to better support and facilitate the strategic property management processes.</p>	Low	<p>Update Dec 2017 As per above update comment(344) and the resolution to remove HFLtd from the Company Office records, this matter will be submitted for closing at the next quarterly ARC meeting.</p>	Strategic Property Unit Manager	30/06/2018	GM City Growth			
351	Open	Procurement policy and manual good practice Improvements	<p>Observation When comparing the Council policy and manual to good practice, we noted a number of areas where improvements could be made to strengthen the Policy/Manual. These are included in appendix II.</p> <p>A procurement manual update was programmed for this year.</p> <p>Risk / Implication Council's policy and manual do not support good practice and increase the likelihood/impact of procurement risks affecting Council.</p>	Strategy Procurement Framework Assessment Aug 25/17	P6	<p>The Procurement Policy and Procedures Manual goes through a two yearly review cycle as well as mini reviews of any urgent updates on an as required basis. The major review is being undertaken this year and suggestions will be reviewed and incorporate where appropriate.</p>	Low	<p>Follow Up Meeting 3/11/17 Review started last week of Oct. In conjunction with Tompkins Wake and in house staff and will continue moving forward on a part time bases due to staffing issues. Updated drafts should be in place prior to Christmas. Work Plan will be formulated and put in Trim</p>	Procurement Manager	30/02/2018	GM Corporate			

358	Open	Operational Improvements	<p>Observation The use of a gateway mechanism to control the procurement process can potentially add an estimated 14 to 35 days onto the procurement process (based on 2-5 days to approve each gateway). This also is relative to the number of procurement advisors (2) and their workload. The gateway mechanism creates an impression that procurement are focussed on compliance, whereas a different approach could yield the same quality control and be more collaborative and more strategic focussed rather than compliance focussed. Our understanding is that the gateway process is a quality assurance methodology used in large State sector high risk projects and while it may be useful to ensure that inexperienced Council staff undertaking procurements are following the correct processes, for staff that are experienced it is seen as an administrative step.</p> <p>Risk / Implication The procurement process is inefficient for internal users and external tenderers due to the additional time added. The Council is not seen as a good commercial partner to tender with and tenderers may price this into their tenders.</p> <p>3.1 Council should review the gateway system to see if it is the most efficient mechanism to control</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	P7	<p>A review will be completed to test whether the gateway mechanism is fit for purpose. We will also review the Procurement Specialists and alignment with Groups. This includes looking at what resourcing levels are required to achieve this level of service.</p>	Low	<p>Follow Up Meeting 3/11/17 Hoping for 2018/19 budget to include a resource to help with this process. Work Plan will be formulated and put in Trim</p> <p>Procurement commenced a trial with two senior staff members in the Procurement Specialist roles last year to try and get more resource to guide inexperienced staff through the procurement process.</p> <p>This needs to be reviewed to understand resourcing levels and skills that are required to hit the required levels of service.</p>	Procurement Manager	30/03/2018	GM Corporate		
360	Open	Professional Services Panel (PSP) Improvements	<p>Observation While groups thought the PSP are a useful procurement option. They raised a number of limitations with how they operate that caused them concerns that:</p> <ul style="list-style-type: none"> the administrative process that users go through to appoint a panel member to perform work is inefficient for lower value work. it is hard to ascertain value for money and price tension, especially for large scale works it drives direct appointments. <p>Risk / Implication PSP risks being bypassed if not efficient and Council may not be obtaining the best value for money.</p> <p>5.1 Implement staff awareness and training on how best to use the Professional Services Panels and simplify the paperwork</p> <p>5.2 Make it clear that there is the ability to request multiple panel members to quote for works above a certain value.</p>	PwC Internal Audit Strategy Procurement Framework Assessment Aug 25/17	P9	<p>The current PSP process allows for offers of service from one or multiple consultants. We are currently developing a staff training package on PSP process and this will be re-emphasised during it. A review is also being undertaken on streamlining aspects of the PSP process.</p>	Low	<p>Follow Up Meeting 3/11/17 Trials commenced end of Aug to ensure payment process is working. Development of process in place to be completed by the end of Dec with a roll out in the New Year. Update March 2018</p> <p>There are two areas of follow up:</p> <ol style="list-style-type: none"> Process Simplification - The vast majority of interactions relate to the payment process and we are running a trial to make that simpler. That commenced at the end of August and we will be looking to iron out and roll out in the New Year. Training - Module for PSP developed in Jan/Feb 18 with first training delivered in Mar 18 	Procurement Manager	30/07/2018	GM Corporate		
361	Open	Property, plant and equipment - stocktakes not performed	<p>We updated our understanding of the City Council's systems of internal control for property, plant and equipment. From this review we noted that there have been no fixed asset stocktakes performed in recent years. This is a matter of good stewardship and creates a risk around the accuracy of physical assets reflected within the City Council's financial statements as the assets may no longer be in the City Council's possession (whether as a result of theft, damage or other circumstances).</p> <p>Recommendation We recommend that fixed asset stocktakes are completed on a cyclical basis to ensure that assets recorded on the City Council's fixed asset registers remain under Council's control. Any information regarding the condition or state of assets should also be reflected within the fixed asset register following these reviews (that is, impairment or disposal if applicable).</p> <p>As part of the Asset Management Information Strategy (currently under development) and the Asset Management Improvement Programme for each activity area, we will consider the inclusion of fixed asset stocktakes.</p>	Audit NZ Draft Interim Audit Management Report June 2016	P5	<p>Asset registers are updated and data verified at various times including as part of:</p> <ul style="list-style-type: none"> Revaluation Condition assessment programmes Staff and contractor observations during maintenance works Renewals and new works. <p>As part of the Asset Management Information Strategy (currently under development) and the Asset Management Improvement Programme for each activity area, we will consider the inclusion of fixed asset stocktakes.</p> <p>Project DAN - lead by Finance</p>	Low	<p>Follow Up Comment: 3/11/17 Council are currently going through a wider organisational focus on fixed asset stocktakes and lead by Finance with project DAN. The Asset Management Centre of Excellence is also uploading all asset registers into IPS an asset register platform.</p> <p>IS Unit has all HCC IT Assets recorded in the Configuration Management Database, the assets are also covered under the Ten Year Plan for funding to ensure renewal and currency of assets.</p> <p>Update on progress is expected in March 2018.</p>	CIO and Finance Controller	14/03/2018	GM Corporate		
362	Open	Conflicts of Interest Policies	<p>We recommend that additional guidance is included on the differences between pecuniary and non-pecuniary interests, and actual, perceived or potential conflicts of interests as part of upcoming reviews of the Elected Members Code of Conduct and Conflicts of Interest Policy. This will ensure that there is a central point of reference for guidance on these matters.</p>	Audit NZ Draft Interim Audit Management Report June 2017	P6	<p>Conflicts of Interest Policy need to incorporate pecuniary and non-pecuniary interests into both policies and will ensure that is done. Pecuniary and Non-Pecuniary interests was incorporated into the induction process for Elected Members.</p>	Low	<p>Follow Up Comment 10/11/17 The Code of Conduct includes a section on conflicts of interest – there is not a separate policy. The Code is currently being reviewed and will be submitted to Council for approval at its March or April 2018 meetings. The updated Code of Conduct will address the Audit NZ recommendation and this finding will be submitted for closure.</p>	Governance Manager	1/04/2018	GM Corporate		

370	Open	Business Intelligence Maturity Scan Light Reporting	Departments that completed the questionnaire were after the following features: <ul style="list-style-type: none"> reports with drill-down and filtering functionality statistical analysis / modelling techniques capability forward looking analytics based upon historical data Recommendations: We recommend starting with organisation-wide areas (typically Finance & HR) to expose a wider audience to regular & visual reporting. This will encourage a shift from the current snap-shot style of reporting towards reporting that is more dynamic and insightful. As a first stage, we recommend focussing on only a small set of reports, which should be a common view of the data receivers. The requirements should be business driven and delivered against in a structured and repeatable fashion using resources from the Data Services Team and the business. Once successful this prototype can be expanded over time. 1.2 Implement regular reviews of the actual use of the individual reports (currently around 1000) to ensure that old reports are identified and removed from the enterprise reporting platform.	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	P5	HCC have identified the need to advance the organisation's BI and analytics capability to better support both repeatable enterprise reporting and advanced analytical modelling with the use of historical data. The Information Management Team in partnership with the Growth Team are currently defining the strategic case for investment. This will take the form of a full BI and Analytics Roadmap and an accompanying Business Case. Follow Up Outline: 6/12/2017 Opal3 is a BI tool that has been adopted by parts of the organization to accumulate and report on non financial information. While it is not clear whether the system has been adopted formally by IS or the whole of HCC, Finance has commenced initial investigation into whether the system would be able to meet our current and development BI needs for Financial Information. Key to this is the ability to tap into existing data sources such as Microsoft AX and Authority. PowerBI is an add-on to the current Microsoft AX Financial system that comes bundled with the planned AX upgrade in 2018/19. Finance is reviewing this tool in comparison with Opal3. Noting that Power BI could be purchased independently prior to upgrading AX. Finance will work with IS and Growth in this development. Our initial investigations should be completed early in 2018.	Low	Follow Up Comment 6/12/17 Finance is currently investigating 2 obvious options for development into the BI space. Neither option involves capital investment and our objective at this stage is to use the exercise to better understand what tools we have available as part of business as usual before we consider wider options.	Financial Controller/CO	30/03/2018	GM Corporate		
371	Open	Business Intelligence Maturity Scan Light Information Access	There is a lack of data accessibility across the organisation. A lack of process documentation causes data to be inaccessible by other departments, creating inefficiencies where the same data is collected by different departments to suit their needs. Recommendations: Ensure that the availability of data is clearly documented and understood. This will improve accessibility to data so that data receivers can obtain their information in a modern and user friendly way, so that pre-defined information that combine different data sources can easily be made available as well.	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	P6	HCC have identified the need to advance the organisation's BI and analytics capability to better support both repeatable enterprise reporting and advanced analytical modelling with the use of historical data. The Information Management Team in partnership with the Growth Team are currently defining the strategic case for investment. This will take the form of a full BI and Analytics Roadmap and an accompanying Business Case.	Low	Follow Up Comment: 6/12/2017 As above (370) finance response to this finding will be addressed collectively.	Financial Controller	30/03/2018	GM Corporate		
373	Open	Business Intelligence Maturity Scan Light People	PWC notes that the practices of rewarding employees for providing valuable insights and empowerment by the business to challenge the current ways of working is only implemented in the growth area. This is lacking in other areas, particularly through the lack of resource available in the Finance department required to achieve this. Recommendations: The data SME roles may in some cases be delivered by existing staff in conjunction with their existing roles; and that in other cases it may be necessary to provide a dedicated resource depending on the nature of the business unit and their specific need to improve the way they control, use and share their data.	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	P6	The above exercise (1.371) will address the areas of Delivery Model and Performance within which the requirement to build out the organisational capabilities (skills and resources) and identify the process for iterative development (DevOps) in support of data driven insights will be clearly defined.	Low	Follow Up Comment: 6/12/2017 As above (370) finance response to this finding will be addressed collectively.	Financial Controller	30/03/2018	GM Corporate		
374	Open	Business Intelligence Maturity Scan Light Organisation	The strategic vision is not aligned with the business's business intelligence capability. Recommendations: Introduce a mandated approach and programme of work that is aligned with HCC's strategic vision. The purpose of this will be to fund and drive the technology and business change required for HCC's future reporting, BI and analytics capability.	August 25/17 PWC Unusual Transaction Analysis Internal Audit Report	P7	The BI and Analytics Roadmap and accompanying Business Case will clearly define the alignment of business BI capability and the strategic vision of the organisation. Subsequent activities will identify relevant KPIs for this program of work.	Low	Follow Up Comment: 6/12/2017 As above (370) finance response to this finding will be addressed collectively.	Financial Controller	30/03/2018	GM Corporate		

329	Open	IT Issue - No Organisational Business Continuity Plan or IT Disaster Recovery Plan	We have noted in prior years that Council has continued to defer the development and testing of an Organisational Business Continuity Plan and an IT Disaster Recovery Plan. June 2017: We continue to recommend that Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans. Update in 2015. The project to outsource all IT support and datacentre hosting to Fujitsu, will include development of new IT Disaster Recovery management systems and processes.	Audit NZ Fact Sheet HCC Interim April 2016 Audit NZ Draft Interim Audit Management Report June 2017	P28	The IT DRP is awaiting finalisation with the pending changes to Desktop as a service, and server hosting redundancy services currently under negotiation with Fujitsu and Azure. During the year the Azure datacentre was down for one day and there was no backup service available to the council. Responsibility for Organisational Business Continuity lies with another area within council. We continue to recommend that council develops and tests organisational business continuity and IT disaster recovery plans. The Risk and Assurance Manager has commenced organisational business impact analyses for development of the organisational Business Continuity plan. This will then drive development of the IT Disaster Recovery plan. Improvements have been made to IT Infrastructure to mitigate risks related to potential network failures	Necessary	Update 3/11/17 Critical IT Infrastructure suppliers Fujitsu and Vocus has been verified to have both Disaster Recovery systems and processes in place to ensure the services provided by them are covered. A review is underway of all backup and restore procedures to ensure the effectiveness thereof and make any adjustments where needed. The progress of the IT Disaster Recovery Plan has been slow due to the vacancy of the Infrastructure Team Lead role, this role at this point would not be filled until early 2018.	CIO	30/03/2018	GM Corporate		
339	Open	Adoption of legislative compliance policy	The Legislative Compliance Policy formally approved by Council and made available to staff throughout the organisation. The policy is due to be formally adopted by 1 December 2016. We will review the policy as part of the 2016/17 audit. As at the date of our Interim audit, the policy was yet to be formally adopted. We continue to recommend that the policy is formally approved and made available to all staff throughout the organisation.	Audit NZ Draft Interim Audit Management Report June 2017	P3	Council has been establishing a wider compliance framework as part of its improvement programme for compliance management (ISO19600). Policy review underway but delays to approval process due to resource issues mid 2017.	Necessary	Update: August 2017 Compliance framework currently under development to align with new risk management framework. Update Nov 1 2017 The revised framework and policy has been completed and is currently being reviewed by HCC Compliance Champion and peer reviewed by Strategy for final submission to SLT for approval and implementation. This is expected to be finalised in March 2018.	Risk and Insurance Manager	1/05/2018	GM Corporate		
340	Open	Review of legislative compliance responsibility	We recommend a review around all the legislation that the City Council must comply with be performed. The responsibility for each of the different legislation should be documented and formally communicated to each of the staff members with responsibility. This will ensure that each staff member understands their areas of responsibility around legislative compliance and can actively monitor the City Council's compliance. This review has not yet been completed. We understand that the City Council expects to complete this review by September 2017.	Audit NZ Draft Interim Audit Management Report June 2017	P3	Council has been establishing a wider compliance framework as part of its improvement programme for compliance management (ISO19600). Policy review underway but delays to approval process due to resource issues mid 2017.	Necessary	Update: August 2017 Compliance framework currently under development to align with new risk management framework. Update Nov 1 2017 The revised framework and policy has been completed and is currently being reviewed by HCC Compliance Champion and peer reviewed by Strategy for final submission to SLT for approval and implementation. This is expected to be finalised in March 2018.	Risk and Insurance Manager	1/06/2018	GM Corporate		
364	Open	IT Risk framework	The City Council does not have an IT risk framework in place to assess, monitor and respond to IT risks. We understand that project risks are monitored as part of the IT project methodology. Recommendation We recommend that an IT risk framework be developed to identify, assess, monitor and respond to IT risks. This framework should be consistent with the City Council's organisational risk framework.	Audit NZ Draft Interim Audit Management Report June 2017	P8	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.	Necessary	Follow Up Comment 3/11/17 IS are migrating to the organisational risk framework currently under improvement with the CANIMS Risk Module. IS has implemented the organisational Risk Registers for operational teams and are currently reviewing them. In addition IS are adopting the Protective Security Requirement (PSR) framework to support their current improvements. This is yet to be established as it is a wider organisational improvement measure being managed by IS and Risk business units.	CIO	Sep-18	GM Corporate		

366	Open	Review and update IT Policies and develop policy awareness programme	The City Council's IT policies were due for review in 2016 but have not yet been reviewed and updated. In addition, we note that there is no overarching IS security framework. We understand that a cybersecurity governance review is underway and this will drive the development of a new security framework and policies. We note that during the year an online IT induction training course has been developed to assist in training new staff. Recommendation We recommend that the City Council prioritise the development of the IT security framework and updating of IT policies. A policy awareness and enforcement programme should be included in the IT security framework. Additionally, we recommend that the City Council require all staff and contractors to complete the new IT online induction programme.	Audit NZ Draft Interim Audit Management Report June 2017	P9	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.	Necessary	Follow Up Comment 3/11/17 The new policy management system is making good progress, policies have been reviewed and sent back for formatting into the system. It is expected the final draft will be completed by the vendor and a two week SLA put in place for implementation expected to be fully completed Jan 2018.	CIO	30/01/2018	GM Corporate			
368	Open	Management of Generic (shared) network login accounts	The City Council does not have procedures in place for reviewing and removing redundant generic (shared) network login accounts. We browsed the network account list and noted a high number of these types of accounts - many of which no longer appear to be used.	Audit NZ Draft Interim Audit Management Report June 2017	P10	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.	Necessary	Follow Up Comment 3/11/17 As related to updated comment above (366) the policy management improvements will address this finding. Processes have been implemented and currently operating for contractor personnel.	CIO	30/01/2018	GM Corporate			

Council Report

Item 8

Committee: Audit & Risk Committee **Date:** 18 December 2017
Author: Andre Chatfield **Authoriser:** David Bryant
Position: Risk and Insurance Manager **Position:** General Manager Corporate
Report Name: Risk Management Report

Report Status	<i>Open</i>
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Purpose

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

Staff Recommendation

That the Audit & Risk Committee receives the report.

Background

2. Hamilton City Council has eight key Material Risks that are managed by the Risk Manager in conjunction with the Risk Owners on behalf of the Chief Executive.

Discussion

3. In late 2016 an improvement review of Council's risk register management was conducted to identify an effective and efficient risk management solution to support organisational risk maturity assessing.
4. Council currently has 27 risk registers for the material risks, business units and specific projects.
5. A risk solution software called CAMMS Risk was identified in July 2017 which is designed to centralise all identified organisational risks into a single repository for analysis and reporting purposes. The risk register data is currently being migrated into CAMMS Risk.
6. This will provide an ability to assess organisational risk maturity, identify high risks across the organisation and allow the senior leadership team to seek clarification and centrally challenge the controls and mitigations to support reporting requirements for this committee.
7. This risk solution is expected to be fully implemented by March 2018.

Attachments

Attachment 1 - Material Risk Report - December 2017.

Material Risks Summary – December 2017

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	H	VH	VH	E
	Likely	M	H	H	VH	VH
	Possible	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Rare	L	L	L	M	H

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

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

Existing Controls and Mitigations
<ul style="list-style-type: none"> • Health and Safety Management System – system development phases • Includes Plans, procedures for work practices/activities for all high-risk areas • Pre-qualification engagement program – contractors • Organisation Engagement Survey

Residual Risk

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

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

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

Further Actions Required	Update –December 2017	Action Owner
<ol style="list-style-type: none"> 1. Establish a governance framework for the engagement and management of contractors 2. Enhance the safety behaviours / culture program (take it to the next level of maturity) 3. Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions 4. Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls. 	<ul style="list-style-type: none"> • A suite of Current Best Practice Principals and Guidelines is being developed with emphasis on the 12 critical H&S risks still yet to be finalised. Consultation planning with business units is underway prior to final approval for implementation. • There has been a 28% reduction in LTI's over the last 12-month period. Further detail is outlined in the H&S Committee Report. • H&S Prequalification contractor management is now fully operational across the region with improvement and assurance programmes yet to be established. • A H&S training programme review is being established to ensure alignment with Current Best Practices. This is expected to be initiated in March 2018. • A People Safety and Wellness Strategic Plan is being developed to support the H&S Assurance and Engagement Leads. 	<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.			Rank 2
Risk Owner	David Bryant (GM Corporate)	Category	

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

Inherent Risk

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

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

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

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

Residual Risk

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

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

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

Further Actions Required	Update – December 2017	Action Owner
<ol style="list-style-type: none"> 1. Design and implement an appropriate monitoring approach (audits and reviews by both external parties and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions 2. Enhance understanding of key risk scenarios and commonality of critical controls. 3. Ensure on-going monitoring of effectiveness of critical controls where community is exposed. Yet to be established 	<ul style="list-style-type: none"> • The H&S Team have initiated combined support with the Community Group for Safety and Design factors within projects to ensure H&S risks are identified and mitigated during development/modifications of infrastructure and public facilities. • A review of Project Contractor Management during project gateways is yet to be established to ensure H&S risks are being managed appropriately. This is expected to commence after March 2018. • A Central Govt Initiative called Protective Security Requirements (PSR) has been reviewed for consideration by SLT to adopt in support of managing security <u>and</u> safety to HCC’s major venues. This is expected to be presented to SLT early 2018 after a gap analysis has bene completed. 	<p>David Bryant (General Manager Corporate)</p>

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

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

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

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

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

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

Further Actions Required	Update – December 2017	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"> The BCP testing programme has been established for implementation with cross support from Civil Defence. Emphasis will be placed on critical services to the city. An integrated approach to incident management has been established outlining emergency, crisis and business continuity for the organisation. The roll out of this framework is still yet to be 	David Bryant (General Manager Corporate)

	<p>fully implemented and communicated concurrently.</p> <ul style="list-style-type: none">• PSR framework is expected to influence and support this integrated response capability. Additional works still being established to support the PSR framework and expected to be fully implemented Nov 2017	
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Inadequate civil defence response Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.			Rank: 5
Risk Owner	Blair Bowcott (Special Projects Director)	Category	Disaster Recovery

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

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

Further Actions Required	Update – December 2017	Action Owner
<ol style="list-style-type: none"> 1. Monitoring of SLA in place with WRC and reporting bi-annual progress reports. 2. Review and communicate emergency response procedure to lift civil defence awareness through the organisation 3. Develop succession plan for critical Emergency Management knowledge 	<ul style="list-style-type: none"> • Civil Defence Work Plan for 2017 by WRC (Group) in place and significant progress against the plan has been accomplished YTD • Establishment of a National Public Alert System still ongoing and recently tested through the national text services. • HCC continues to have significant investment in staff training with 317 staff having completed some type of CDEM training year to date • The CDEM Foundation course is now available as an online course and can be used as a refresher or as an alternative to face-to-face training • The construction of the new IL4 Genesis building) which will be the base for delivery of CDEM services) remains on tract and should be operational at the time of this committee meeting. • The HCC Recovery Manager has been appointed to support any response to an event. 	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

Risk Triggers					
<ul style="list-style-type: none"> • Materially incorrect financial strategy assumptions • Significant unforeseen event 					
Inherent Likelihood	Possible	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious	Inherent Risk Rating	High 

Existing Controls and Mitigations					
<ul style="list-style-type: none"> • The Financial Strategy is reviewed three yearly in conjunction with the development of Council's 10-Year Plan and revised if appropriate. Part of this process includes a review of Council's Revenue and Financing Policy, Funding Needs Analysis Policy and Rating Policy and making any revisions where appropriate. • The Financial Strategy is reviewed three yearly in conjunction with the development of Council's Annual Plan and revised if appropriate. • The Financial Strategy is used to guide decision making where significant expenditure is required. Council's delegated authority limits result in these items being referred to meetings of the Council where details of the expenditure and associated risks are identified and reviewed before decisions are made. • Council's Monitoring Report is used to provide visibility of Council's financial performance at each Finance Committee. This enables comparison to Council's Financial Strategy limits and for any irregularities to be discussed and addressed. • Internal financial reporting is used to provide visibility of Council's financial performance at each monthly Senior Leadership Team meeting. This enables comparison to Council's Financial Strategy limits and for any irregularities to be discussed and addressed. 					
Residual Likelihood	Possible	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious	Residual Risk Rating	High 

Further Actions Required	Update – December 2017	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 working Financial Strategy measures have been recommended to Council by the Financial Strategy and Revenue Taskforce and accepted at Council's 24 August 2017 meeting.The Financial Strategy will be finalised as part of the 2018-28 10 Year Plan process.	Richard Briggs (CE – Council)

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

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

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

Further Actions Required	Update – December 2017	Action Owner
<ul style="list-style-type: none"> • Enhance understanding of key activities where we need back up or manual intervention. • Develop action plans to ensure there is a backup in place for critical activities. • Ensure on-going monitoring of effectiveness of critical controls. • Develop and implement procedures for monitoring unusual network activity. 	<ul style="list-style-type: none"> • PwC have completed a Cyber Security Governance audit in August 2017 and are now engaged in completing a more detailed review of Council’s control environment. The final audit report is still pending and will not be completed for this committee meeting. • The Business Services Catalogue (BSC) has been established and includes categorising of all services and now part of BAU • An IS Organisation Critical Services list that supports the BSC has been established and managed by the CTO and reviewed on a quarterly basis • Disaster Recovery Plan (DRP) is currently being developed and considered a living document due to its purpose. Development is now being managed by Information Services and will include an Incident Management Plan for council’s environment. 	<p>David Bryant (General Manager Corporate)</p>

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

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

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

Further Actions Required	Update – December 2017	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 improvement consideration to improve research calibre. Technical phase reviews are in place and include district growth and sub-region approach. NPS is enacted by legislation. A 	Kelvyn Eglinton (General Manager City Growth)

	<p>sub-regional review of land use, demand and supply is underway.</p> <ul style="list-style-type: none">• Tracking infill development against 47% growth target.• Quarterly analysis of external housing, market drivers is captured in the Hamilton Housing Market & Economy Growth Indicator Report• Business case for HIF submission confirmed supply and demand analysis and a positive cost benefit analysis – awaiting outcome of HIF submission.	
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APPENDIX A – RISK RATING

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

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

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

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

APPENDIX B – ACTION REQUIRED AND REPORTING

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

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

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

APPENDIX C – RISK MATRIX LEGEND

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

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

Council Report

Item 9

Committee: Audit & Risk Committee **Date:** 18 December 2017
Author: Andre Chatfield **Authoriser:** David Bryant
Position: Risk and Insurance Manager **Position:** General Manager Corporate
Report Name: Insurance Report 2017/18

Report Status	<i>Open</i>
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Purpose

1. To inform the Audit & Risk Committee on the 2017/18 insurance renewal programme.

Staff Recommendation

That the Audit & Risk Committee receives the report.

Background

2. Council continues to collectively tender its insurance programme under the Waikato Local Authority Shared Service (WLASS) company umbrella with Aon New Zealand as the insurance broker.
3. The purpose of this relationship is to leverage the region's collective insurance requirements to deliver economies of scale through reducing brokerage costs and reducing the exposure to market increases in premium costs while also ensuring adequate coverage of risk.
4. Council uses a 'Probable Maximum Loss' (PML) reinstatement value approach rather than replacement value for all council assets. The benefit for this approach is to ensure our Material Damage, Business Interruption and Infrastructure arrangements provide adequate cover.
5. Council's insurance programme is regarded as a risk management tool to mitigate against the financial impacts associated with any catastrophic or serious event.
6. Council's Infrastructure insurance programme specifically addresses losses to underground assets such as water supply, waste water, storm water assets and bridges.

Discussion

7. The Kaikoura earthquake of November 2016 has become a catalyst for property insurance markets (and reinsurance markets) in New Zealand to move from a soft market to a hard market cycle. Claims reported for this earthquake are estimated at US\$5 billion and that is likely to increase as detailed engineers reports and investigations are completed. For some buildings, this will result in demolition, where repairs are neither feasible nor cost-effective.
8. These recent developments continue to put pressure on premium rates. This hard market cycle from New Zealand insurers can be seen in increasing rates on the Material Damage and

Item 9

Business Interruption policies. Those areas most impacted by recent events are seeing the greatest premium rating increases.

9. One of Council's insurance policies, our infrastructure insurance policy, is a Long-Term Agreement (LTA) with WLASS and has a premium rate hold for two years. Despite the information outlined in the paragraphs above the London markets continue to honour this agreement and have renewed the second year which ends on 31 October 2018.
10. It is too early to determine what the impact of recent significant earthquake events in New Zealand will have on the next infrastructure programme renewal although a moderate increase in premium rate is anticipated.
11. Aon has remarketed the WLASS Motor Insurance programme and secured a new insurer due to our previous insurer providing uncompetitive terms.
12. Motor premiums are largely driven by claims performance and the programme has not run well over the last three 3 years. The vehicle claim loss ratio for WLASS for the last 3 years is running at nearly 90% and a break down per council has been requested to identify where the problem lies.

Financial Considerations

13. Council's total insurance premium cost for the 2017/18 year ending 31st October 2018 has increased 11.2 percent compared to last year and is now \$1,818,281.

Attachments

Attachment 1 - 2017 MD BI Premium Allocation.

HCC - Aon Insurance renewal programme											
Period:	1/11/17- 1/11/18										
Invoice	Description	Premium	Natural Disaster Premium	Fire Service Levy	EQC Premium	Total 2017/18 excl GST	GST	Total 2017/18 Incl GST	Total 2016/17 excl GST	Variance 2016/17-2017/18	Variance %
Material damage											
M02310971	Material damage excluding fire	378,048.43			4,080.00	382,128.43	57,319.26	439,447.69	347,172.77	94,955.66	10.1%
06298061	Material damage fire only	94,555.98		129,362.40		223,918.38	33,587.76	257,506.14	192,988.26	61,520.13	69.1%
M02309835	Material damage- excess layer	145,765.91				145,765.91	21,864.89	167,630.80	130,445.50	15,420.41	11.7%
		618,370.32		129,362.40	4,080.00	751,812.72	112,771.91	864,584.63	610,016.52	141,796.20	23.2%
Infrastructure											
M02311969	Material damage - infrastructure (includes bridges)	395,397.16				395,397.16	0.75	395,397.91	391,054.38	4,342.78	1.1%
M02311112	Material damage - infrastructure primary layer	192,756.76				192,756.76	0.75	192,757.51	177,175.63	15,581.13	8.9%
		588,153.92				588,153.92	1.50	588,155.42	568,230.01	19,923.91	3.5%
Miscellaneous											
06265658	Annual Contract Works	10,045.00		4,240.00		14,285.00	2,142.75	16,427.75	13,075.00	1,210.00	9.3%
M02302544	Accident and health	1,217.50				1,217.50	91.88	1,309.38	1,215.83	1.67	0.1%
M02309500	Corporate travel	131.88				131.88	1.47	133.35	297.35	(163.47)	-55.6%
M02306710	Employers liability	1,060.50				1,060.50	159.08	1,219.58	1,059.50	1.00	0.1%
M02308672	Crime policy	13,657.33				13,657.33	2,048.60	15,705.93	13,454.50	2,022.83	1.5%
M02309239	Statutory liability	5,504.50				5,504.50	825.68	6,330.18	5,503.50	1.00	0.0%
06297484	Desktop review of insurance value & one site visit	4,400.00				4,400.00	660.00	5,060.00	42,000.00	(37,000.00)	-89.5%
06278101	Boiler explosion	2,428.16				2,428.16	364.22	2,792.38	2,180.00	248.16	11.4%
06302265	Fine Arts	50,825.00				50,825.00	6.75	50,831.75	50,815.00	10.00	0.0%
06278597	Fine Arts Fire Service Levy			42,094.55		42,094.55	6,814.18	48,408.73	30,181.00	11,913.55	39.5%
06280927	Hall Hires	11,735.00				11,735.00	1,789.25	13,524.25	11,785.00	10.00	0.1%
		101,064.87		46,394.55		147,399.42	14,393.86	161,793.28	171,566.68	(24,167.26)	-14.1%
Motor vehicles											
M02309961	Vertex Commercial motor vehicles	118,076.78		5,381.03		123,457.81	18,518.67	141,976.48	97,158.69	26,299.12	27.1%
Business interruption											
M02311041	Business interruption	35,756.82	23,894.88			59,651.70	8,938.76	68,590.46	51,576.36	8,015.36	15.5%
Professional indemnity and public liability											
06284563	Professional indemnity	67,005.00				67,005.00	10,050.75	77,055.75	55,845.00	11,170.00	20.0%
06284549	Public liability	44,685.00				44,685.00	6,702.75	51,387.75	37,235.00	7,450.00	20.0%
	Total Aon invoices	1,573,112.71	23,894.88	181,077.98	4,080.00	1,782,105.57	171,368.20	1,953,473.77	1,591,618.25	190,487.32	12.0%
008319	Aon insurance brokerage fees 2017/18	36,175.63				36,175.63	5,426.34	41,601.97	38,044.17	(1,868.54)	-4.9%
	Total Waikato Local Authority Shared Services invoices	36,175.63				36,175.63	5,426.34	41,601.97	38,044.17	(1,868.54)	-4.9%
	Total Insurance	1,609,288.34	23,894.88	181,077.98	4,080.00	1,818,281.20	176,794.54	1,995,075.74	1,629,662.42	188,618.78	11.6%
Account	Budgets 2017/18										
2302	Vehicle insurance					98,969.00					
2408	Insurance					1,544,626.00					
	Total budgets 2017/18					1,643,595.00					
	Premium										
	2016/17 premium: 1/7/17 - 31/10/17					548,220.81					
	2017/18 premium: 1/11/17 - 30/6/18					1,212,187.47					
	Total premium					1,760,408.28					
	Unfavourable budget variance 2017/18					(111,821.28)					

Council Report

Item 10

Committee: Audit & Risk Committee

Date: 18 December 2017

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 & Risk Committee on the safety and wellness activities and key performance indicators for Quarter One 2017/18.

Staff Recommendation

That the Audit & Risk Committee receives the report.

Attachments

Attachment 1 - Safety and Wellness Report - Quarter One 2017.



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D-2553951

1

Safety and Wellness Report

1 July to 31 October 2017

Executive Summary

The Safety and Wellness team have been continuing to develop and implement our Health and Safety Management Framework to provide a solid foundation for continuous improvement and to support our operational areas in the management of their critical risks. Work continues to be carried out in raising the awareness of our critical risks throughout Council and how they relate to tasks and day to day activities for our workers.

Our overall safety performance is steady and we are tracking below our key performance targets for 2017/18, which is positive, however there remains opportunity through improved reporting, investigation and better injury management.

We have recently undertaken our annual staff survey, which showed that our people are most satisfied with Health and Safety, above all other things. The survey results tell us that our people look after themselves and others, their managers take action when issues are identified and our people have access to the appropriate training to deal with health and safety matters.

Whilst our safety culture remains positive we want to avoid being complacent and are looking to make a significant step change in how engage, manage and develop our approach to safety and wellness at Council. Critical to this thinking will be our continued focus and delivery of our strategic imperatives, which include:

1. Systems that are fit for purpose and provide timely and accurate data
2. Systematically managing our critical risks
3. Building safety leadership and capability at all levels of business, and
4. Providing workers with a safe and just culture.

D-2553951

2

Notifiable Events

During the period between 1 July 2017 to 31 October 2017 there were two notifiable events reported. Our own internal Investigations were carried out and neither incident required further investigation by WorkSafe.

Incident Type	Critical Risk	Incident	Action Taken	Business Unit
First Aid Injury	Working at Height	During an arena pack out an empty burlap bag used as part of the protection for the rigging straps dislodged from the hauling line while a rigging chain was being lowered to the ground. The bag landed on the head of the 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 a rigging helmet.	Investigation was carried out on incident and the contributing factor identified was that the person feeding the chain looked away from the activity, which lead to a lapse in concentration. The importance to remain focused when lowering or raising equipment from height has been reiterated.	H3
Property Damage	Not Applicable	A 20mm gas service line was damaged while excavating a water main trench causing an escape of gas. The gas service was marked on the underground services plan.	Workers were re-trained in using the correct process when locating underground services. Shovels and hand tools only to be used to reduce the risk of damaging services.	City Delivery

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Safety and Wellness Report 1 July to 31 October 2017

Statistics

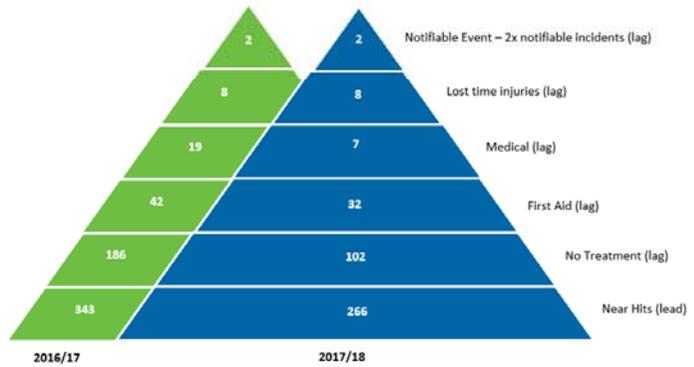


Figure 1: Performance Indicators for events 1 July to 31 October

Lost Time Injuries/Illnesses

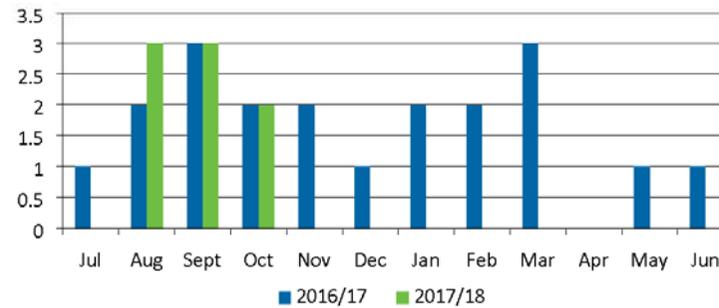


Figure 3: Lost time injuries by month

Total Recordable Injury Frequency Rate

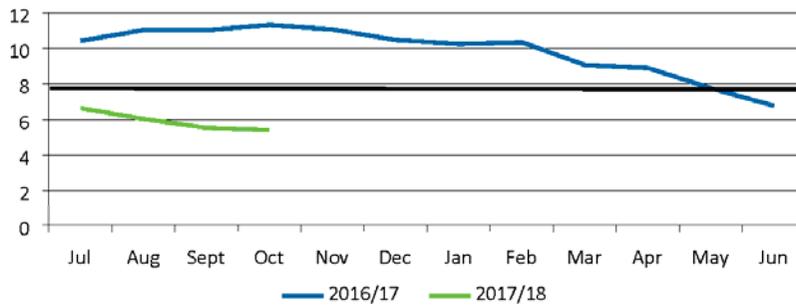


Figure 2: Total recordable injury frequency rate

Lost Time Frequency Rate

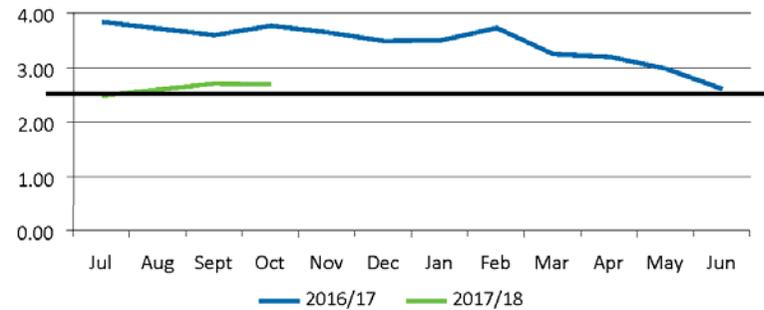


Figure 4: Lost time injury frequency rate

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Health and Safety Trends

An analysis of events reported between 1 July 2017 – 31 October 2017 has been carried out for the purposes of tracking the number of incidents relating to our critical risks. The critical risks that featured most prominent in those events reported were “driving on the road” and “dealing with aggressive and/or violent people”. Of those events that resulted in injury during the above period were not related to any of our critical risks. Refer to Appendix 1.

Our analysis also identified that manual handling, slips trips and falls and using plant and equipment were the other key contributing factors associated with these events.

Lost Time Injuries

Between 1 July 2017 and 31 October 2017 there were eight lost time injuries recorded, which is the same number of lost time injuries for the same period last year. This resulted in an average of 1.3 days lost per injury. The key contributing factors that accounted for 88% of lost time injuries were manual handling activities and slip, trips and falls, which is where we will be looking to target our efforts moving forward.

Our Lost Time Injury Frequency Rate (LTIFR) is currently 2.7 which is tracking below our target of <3.0 for FY2017/18. Early reporting and intervention, supported by pro-active injury management would minimise the amount of lost time injuries incurred. To drive further improvements, it is also important for the safety and wellbeing team to continue to work closely with the business in supporting the injury management and return to work processes.

Hazard/Risk	Injury Type	Number of Injuries	Days lost
Manual Handling	Strain/Sprain	4	5
Slips, Trips and falls	Strain/Sprain	3	3
Plant and Equipment	Foreign Object	1	2

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

Medical Treatment and First Aid

Between 1 July 2017 and 31 October 2017, we had 7 medical treatment and 40 first aid incidents reported.

Our current Total Recordable Injury Frequency Rate (TRIFR) is currently at 5.63 which is tracking below our target of <7.5 for the FY2017/18.

Near Hit Reporting

Between 1 July 2017 and 31 October 2017, we have had 266 near hits reported and continue to be on track in reaching our target >971. To improve our data set and responsiveness, we are encouraging quality near hit reporting to enable appropriate preventive measures being applied to mitigate reoccurrence.

Audits, monitoring and reviews

Between 1 July 2017 and 31 October 2017, we carried out 66 health and safety audits, which were made up of 33 manager audits, 35 worksite and contractor audits.

Team Leaders and Managers across business units have also carried out 286 safety observations, which provides an opportunity to have a positive safety conversation.

Safety and Wellness Report

1 July to 31 October 2017

Emerging areas of interest

Internal

We have been working with WorkSafe and other local body councils within the Waikato Region to develop a protocol document that provides a clear communication and escalation process involving key stakeholders and emergency services to better manage the risk to the public in the event of an asbestos incident occurring. This document is now in its final draft before it being formally endorsed by key signatories in early 2018.

We have recently undertaken our annual staff survey, which showed that our people are most satisfied with Health and Safety, above all other things. The survey results tell us that our people look after themselves and others, their managers take action when issues are identified and our people have access to the appropriate training to deal with health and safety matters.



Image 1: Health and Safety Engagement Survey result.

External and Legislation

ACC, WorkSafe and the Ministry of Business, Innovation and Employment have released information relating to the new SafePlus framework, which is designed to replace the previous WSMP program. A key notable difference is a greater focus on

improving safety behaviour and culture through continuous improvement, rather than being weighted more towards documentation. The new SafePlus framework and tools will be available in 2018.

New regulations that cover hazardous substances come into effect 1 December 2017. One of the key changes that we need to be aware of is the management of hazardous waste that is produced, stored or disposed of. The Safety and Wellness team have commenced a gap analysis against the new regulations on all areas within Hamilton City Council that use hazardous substances to identify any required actions to meet compliance.

Current Health and Safety Initiatives

The Safety and Wellness team has been working with Life Care Consultants Ltd in the development of a Mental Health First Aid training program which will be made available from the start of 2018. The aim of this course is to establish further improvements in the areas of mental health awareness, wellbeing and mindfulness that is associated with improved staff engagement, reduced absenteeism, increased productivity, improved morale and higher job satisfaction.

Elected Members Health and Safety Briefing

A further safety briefing for our elected members is being planned for March 2018 to raise further awareness and to ensure that we are satisfying their due diligence requirements under the Health and Safety at Work Act. This briefing will highlight other critical risks, not already presented and will include:

- Working alone/ in isolation.
- Driving on the roads
- Working on or near roads
- Working with energy
- Unguarded machinery
- Working over or near water

Drug and Alcohol Policy and Testing

To support our updated Drug and Alcohol Policy, which comes into effect in early 2018, 'The Drug Detection Agency' (TDDA) is carrying out training for managers and those workers in safety sensitive roles. The key amendment to the policy is the introduction of random testing for those roles classified as safety sensitive.

Key Activities

Training and Competency

We continue to provide workers access to appropriate safety training to ensure that they are equipped in dealing with health and safety matters that they encounter as part of their daily work. We are currently reviewing the course content of our safety programs to ensure that the content and material is current, engaging and up to date. We have also developed a health and safety career pathway to provide further their career development for those wanting to progress further in the field of health and safety.

COURSE PROVIDED	NUMBER ATTENDED
Risk Assessment and Hazard Identification	7
Accident/Incident Investigation	5
Fire Warden	13
Train the Trainer	10
Health and Safety Representative Training	10
Workplace Inspections completed	1

Table 2: Health and Safety training completed 1 July – 31 October

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Contractor Management

In September, an audit was carried out on the Local Authority Shared Services (LASS) Contractor Pre-Qualification Scheme. The purpose of the audit was to evaluate the system performance and identify any recommendations for improvement where gaps or operating deficiencies were identified. Several non-conformances have been found and presented back to the Waikato LASS group for further follow-up.

In addition to this audit we are also undertaking a review to ensure that contractors working for Hamilton City Council are meeting our requirement standards and safety expectations.

Health and Wellbeing

Bullying and Harassment Monitoring

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 July 2017 – 31 October 2017	0	0	3

Table 3: Bullying and Harassment

There have been no reports received from the peer support network between 1 July 2017 and 31 October 2017. There were 3 formal investigations that were reported and are in various stages of resolution.

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Safety and Wellness Report

1 July to 31 October 2017

Wellbeing Initiatives

In support of Mental Health Awareness Week and World Mental Health Day (Tuesday 10 October), we promoted and encouraged workers to get out of the office for an hour at lunchtime and take opportunity to connect with the many green spaces in and around Hamilton City. We had great support across business units with many teams downing tools and participating.



Image 2: H3 team mental health awareness day photo

In Summary

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

Our safety culture remains positive however we are looking to make a fundamental step change in how engage, manage and develop our approach to safety and wellness at Council. Our core belief is that we want everybody to think safe, work safe and return home safe every day, so that every person can enjoy the things that matter most to them.

Looking forward and as part of our strategic imperatives we will continue to focus on delivering:

1. Systems that are fit for purpose and provide timely and accurate data
2. Systematically managing our critical risks
3. Building safety leadership and capability at all levels of business, and
4. Providing workers with a safe and just culture.

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Appendix 1: Critical Risks

Critical Risk	Events	Events by Unit	Generic controls	Critical Risk	Events	Events by Group	Controls for this Risk
 Working at Height/ over Depth	6 Events	2 Venues, Tourism and Major Events 6 Community	Internal/external inspections, audits, observations, monitor Review hazard and controls at least annually and after an event. Refresher training, drills scenario training	 Dangerous Animals	2 Events	1 Community 1 City Growth	Trained and competent Workers, conduct scenario/drill trainings regularly. Comply with Standard Operating Procedures. monitor Review hazard and controls at least annually and after an event.
 Confined Spaces	1 Event	1 City Infrastructure	Internal/external inspections, audits, observations, monitor Review hazard and controls at least annually and after an event. Refresher training, drills, scenario training	 Working Over or Near water	1 Events	1 City Infrastructure	Internal/external inspections, audits, observations, monitor Review hazard and controls at least annually and after an event. Refresher training, drills, scenario training
 Working on or Near Roads	6 Events	3 Community 3 City Infrastructure	Trained and competent Workers, Approved traffic management plans, Internal/external inspections, monitor, Review hazard and controls at least annually and after an event.	 Aggressive or Violent People	71 Events	40 City Growth 30 Community 1 City Infrastructure	Refresher training, drills, scenario training, Fear Free training programme.
 Working Remotely or In Isolation	1 Events	1 Community	Internal/external inspections, audits, observations, monitor Review hazard and controls at least annually and after an event. Refresher training, drills, scenario training	 Energy Sources	10 Events	9 Community 1 Corporate	3760:2011, Isolate, lockout and tag electrical equipment before maintenance, Comply with legislative requirements/Standards/Approv ed Codes of Practice/Guidelines
 Unguarded Machinery	No Events occurred		Internal/external inspections, audits, observations, monitor Review hazard and controls at least annually and after an event. Comply with AS4024 – Safety of Machinery	 Driving on the Road	35 Events	4 City Growth 6 City Infrastructure 17 Community 4 Venues, Tourism and Major Events 4 Corporate	Observations, assessment, vehicle checks, GPS monitoring, Review hazard and controls at least annually and after an event.
 Trenches and Open Excavations	1 Event	1 Community	Internal/external inspections, audits, observations, monitor Review hazard and controls at least annually and after an event. Refresher training, drills scenario training	 Hazardous Substances	8 Events	1 Venues, Tourism and Major Events 5 City Infrastructure 3 Community	Internal/External Inspections, audits, observations, monitor, Review hazard and controls at least annually and after an event, Refresher training, drills, scenario training

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Council Report

Committee: Audit & Risk Committee **Date:** 18 December 2017
Author: David Bryant **Authoriser:** David Bryant
Position: General Manager Corporate **Position:** General Manager Corporate
Report Name: Audit & Risk Committee Self Assessment

Report Status	<i>Open</i>
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Report Status	<i>Open</i>
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Purpose

1. The Chair of the Audit & Risk Committee will use the attached report as the basis for a self assessment discussion.

Staff Recommendation

That the Audit & Risk Committee receives the report.

Attachments

Attachment 1 - Audit and Risk Committee Self Review

Committee: Audit and Risk Committee

Date: 6 December 2017

Report name: Committee Chair annual review

Author: Paul Connell

Purpose

The purpose of this report is to review the performance of the Audit and Risk Committee ("ARC") during the current calendar year.

Recommendation

That the Committee receive the report.

Meetings

The ARC met four times during 2017 during the following months

- 14 March – inaugural meeting
- 13 June
- 5 September
- 13 October Extraordinary meeting to review the annual report

A fifth meeting will be held on 18 December.

In addition the committee held the following workshops:

- Risk workshop
- Annual Report preparation workshop

Chair activities

The Chair met with PWC;

- before every ARC meeting to review their reports and findings;
- to discuss the future audit plan and ;
- with HCC management PWC to review the scope for the Cyber review.

The chair sat on appointment panels to;

- select a new independent ARC member
- review RFP responses and recommend the appointment of an internal auditor.

In addition the Chair maintained regular phone contact with the HCC General Manager Corporate and the external auditor, Audit New Zealand.

The Chair attended a Council meeting to present the Annual Report for adoption by Council.

Work programme

During the year the ARC undertook a work programme which included considering:

- Risk Management
- Insurance
- Health and Safety
- Financial risk management including the management of swaps and debt
- Organisational improvements
- Audit arrangements with the external auditor
- Reports from the internal auditor PWC.

Annual report process

The ARC managed the engagement with the external auditor and oversaw the completion of the financial statements and annual report.

Where appropriate the ARC reviewed key accounting estimates, accounting policies and asset impairment.

Organisational improvement

The ARC reviewed recommendations for improvement and tracked actions arising in response to previous recommendations from external parties including:

Audit New Zealand
PWC
IANZ: building consents

Conclusion

The ARC has fulfilled its role in supporting Council in governance issues in accordance with its terms of reference.

External membership has been refreshed providing a succession plan for the current Chair.

Council Report

Item 12

Committee: Audit & Risk Committee **Date:** 18 December 2017
Author: Russell Hynd **Authoriser:** David Bryant
Position: Finance Manager **Position:** General Manager Corporate
Report Name: 2017/18 Internal Audit Update Quarter 1

Report Status	<i>Open</i>
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Purpose

1. The purpose of this report is to update the Audit & Risk Committee on PwC's Internal Audit progress for FY17/18 Quarter One.

Staff Recommendation

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

Discussion

3. **Unusual Transactions Analysis**
4. The final part of the unusual transactions analysis engagement has been completed. This focussed on purchase order and vendor analysis. The results have been shared with management.
5. The analysis identified that 84% of purchase orders in the population were approved within a day and 96% within a week.
6. There were still a small number of vendors with spend over \$50,000 that were being managed through the Purchase Order system, rather than a contract process.
7. Management are following up on the results and insights provided by the analysis.
8. **Internal Audit Plan**
9. The internal audit plan has been developed with a focus on value, strategic alignment and innovative delivery.
10. PwC ran a workshop with the Senior Leadership Team and senior management to assist in co-creating the content of the internal audit plan with a focus on Hamilton City Council's eight material risks and Council senior management's three strategic imperatives – Embrace growth, Build a great river city, and Best in business

Item 12

11. The workshop entailed unpacking what value means for Hamilton City Council, prioritising what value to protect and what value to create, to inform the content of the internal audit plan.
12. Hamilton City Council management have challenged PwC to bring innovation into the internal audit space. The workshop was a clear step change in how we think about internal audit and the resultant internal audit plan includes a number of areas that will be delivered through the use of data and technology. As well as providing the assurance we are looking for through our internal audit plan we anticipate this approach will assist in identifying strategic challenges or opportunities and drive process improvements.
13. With PwC focussed on delivering the strategic value enhancement engagements that bring to bear their subject matter expertise, the value protection element of internal audit will be delivered through the use of an internal Hamilton City Council resource (plan to be established in the new year).
14. PwC will assist the Hamilton City Council resource to develop an internal audit programme that will focus on delivering the more traditional internal audit areas on a regular basis. This will allow broader coverage in a more cost effective way.

Financial Considerations

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

Attachments

Attachment 1 - Draft Internal Audit Plan - December 2017.

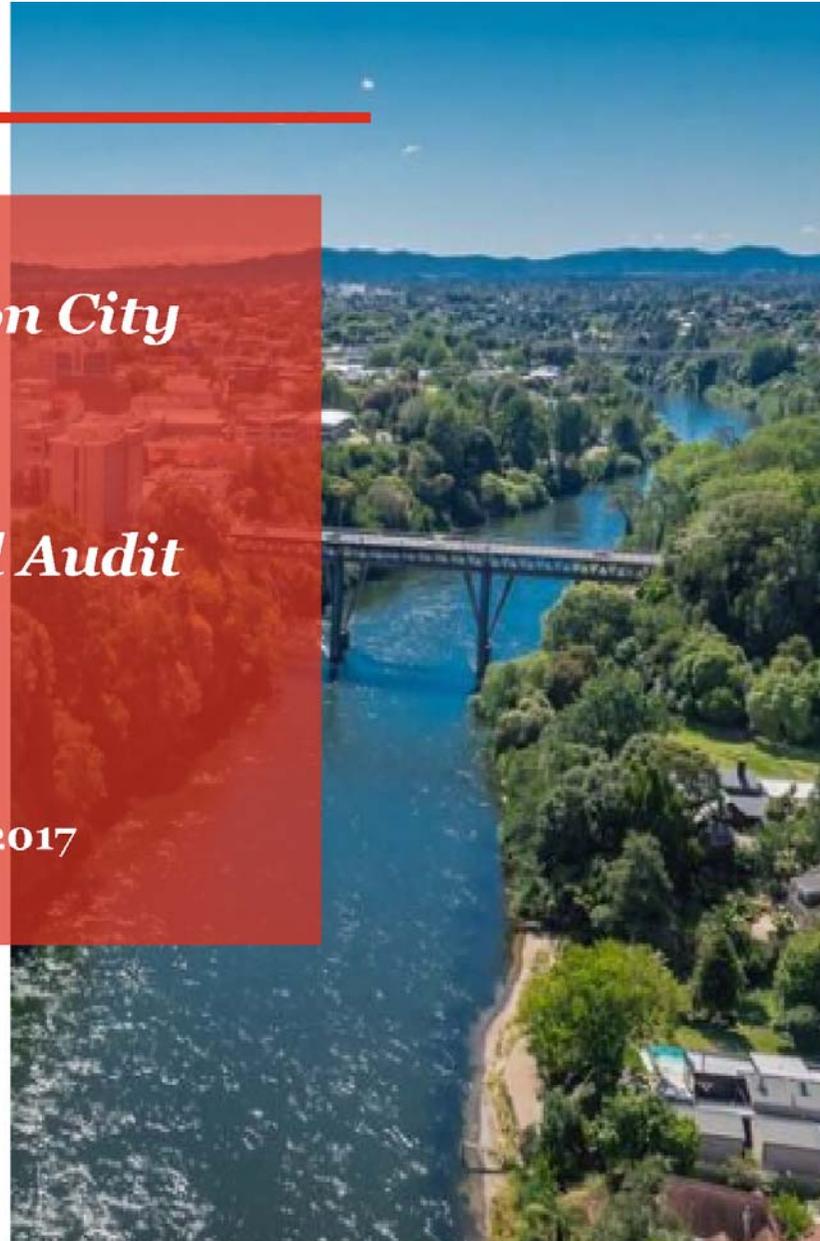


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Hamilton City Council

Internal Audit Plan

December 2017



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*Internal Audit Plan
Development*

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Attachment 1

Internal Audit Plan
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Internal Audit Plan Development

Approach

Consistent with our internal audit proposal we took a different approach to developing the internal audit plan this year. We continued to utilise the information around risk and assurance that HCC already has in place, with an added focus on value, strategic alignment and innovative delivery.

To enable us to achieve this we held a workshop with members of the Senior Leadership Team (SLT) and senior management to assist in co-creating the content for a draft internal audit plan that is aligned to HCC's strategy and delivers a balance of value protection and value enhancement, as outlined on the following page. As well as using the material risks register in the workshop, there was a focus on the F1 strategic initiatives - great river city, embracing growth and best in business.

The workshop entailed unpacking what value means for HCC, prioritising what value to protect and what value to create, identifying the risks associated with value (what happens if it goes wrong) and prioritising areas for the internal audit plan. We also asked participants to explore what innovation could look like for those prioritised areas.

The output of this workshop has been twofold – firstly informing the content of the three year plan and the prioritisation for the next 18 months and secondly other opportunities for HCC to do things differently. The latter outputs are not included in this document but have been shared with members of the SLT.

During the internal audit proposal process HCC management challenged us to bring innovation into the internal audit space to drive value to HCC. We have started this through the workshop and have continued through into the internal audit plan. You will see that the PwC engagements are focussed on delivering innovation and extracting more value from the internal audit activity through the use of Data and Technology that will help HCC identify strategic challenges or opportunities and drive process improvements.

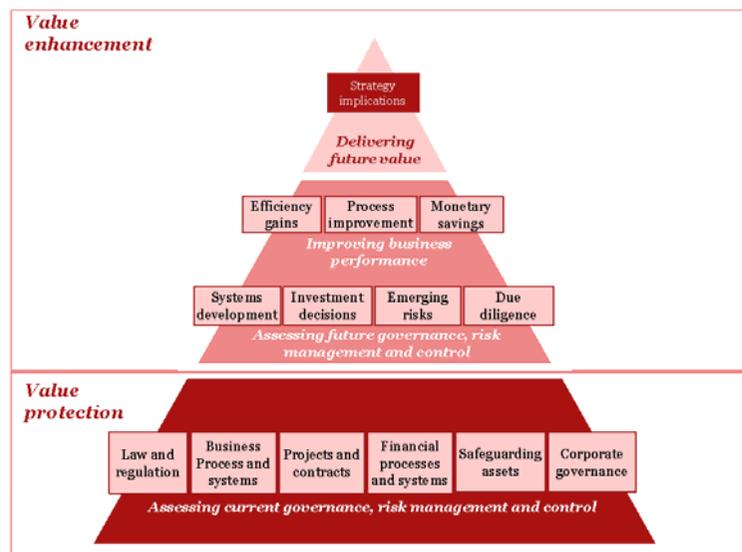
In order to also deliver the value protection side of internal audit, we are working with HCC to build your internal capability with HCC resource to deliver an internal assurance programme, so that less complex processes and areas can be covered in a more cost effective way.

This blend of value protection and value enhancement is a choice which is considered by HCC as part of the overarching Internal Audit Strategy.

Internal Audit Plan Development

Internal Audit Strategy

There is no predefined approach to internal audit or setting the right balance between **value protection** and **value enhancement** (as set out in the diagram below). In refreshing HCC's internal audit plan the focus of the internal audit strategy was clearly on value enhancement. The focus of value enhancement is more forward looking, where we work with HCC on a more real time basis to put emphasis on future governance, risk and control and business performance. Whereas, in the past five years the focus has been more on value protection - "have we got the right controls in place and are they operating effectively?".



Value protection will still be covered, with HCC looking to deliver this more cost effectively through the use of internal resource to perform the bread and butter internal audit work, with the support of PwC to provide coaching and provide quality assurance.

- Internal Audit Plan Development
- Internal Audit Plan
- Administrative Matters

Internal Audit Plan Development

Approach

The following summarises our approach, tailored for HCC:



* ARC appointed members



Internal Audit Plan

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Internal Audit Plan Outline

The plan for the next 18 months focuses on the F1 strategic objectives and the value priorities identified from the planning workshop, it then connects these to the material risks register and the Internal Audit strategy (value enhancement vs value protection), before considering what the internal audit response will be. In addition to the scope of work we have outlined what you can expect as the outcome from the internal audit projects.

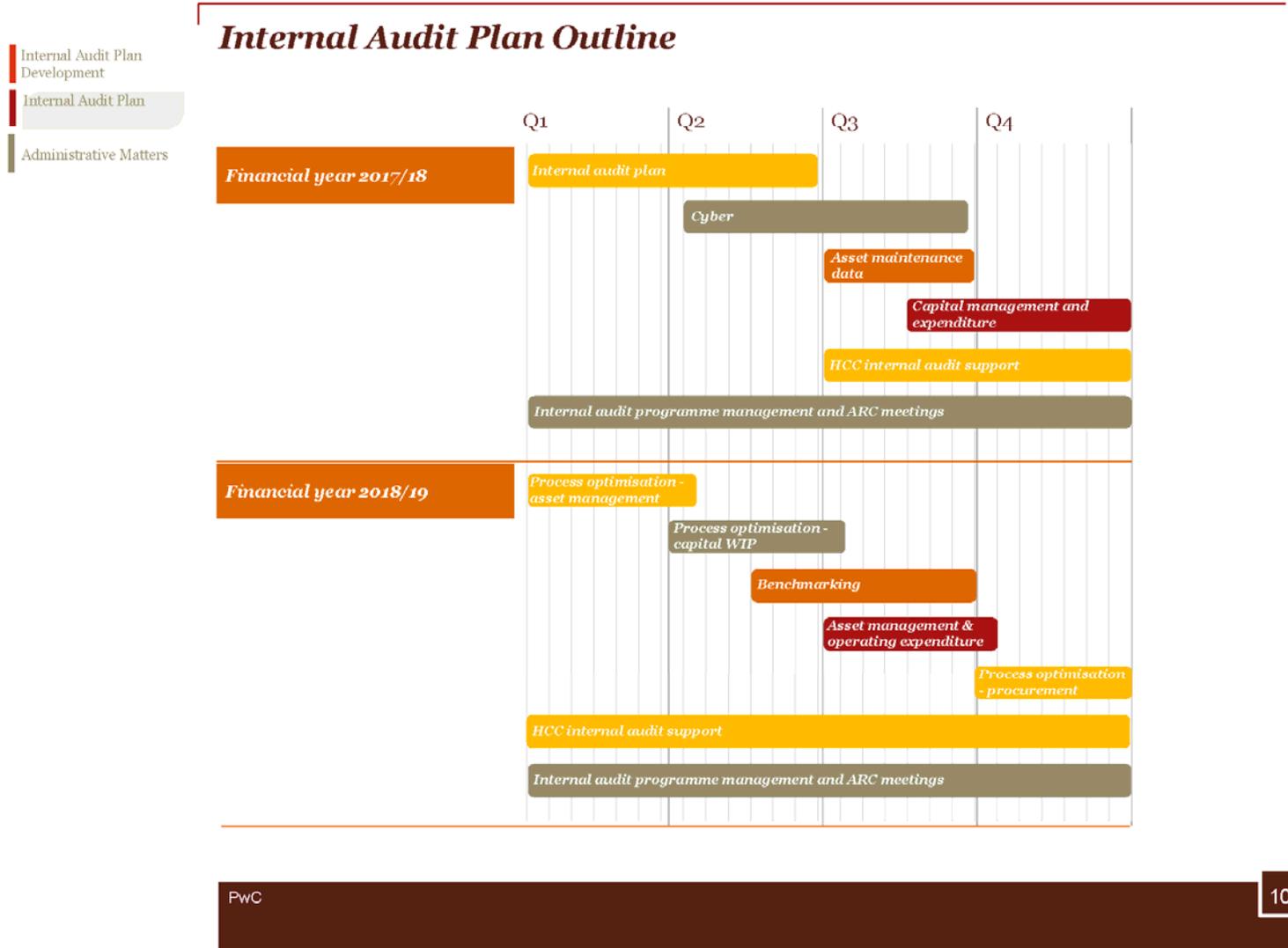
We note that this is very much a plan at a point in time and will be subject to ongoing review with the GM Corporate Services and Risk Manager to ensure that it continues to deliver to the current needs of HCC.

All our internal audit engagements will be undertaken in accordance with our new contract, including our Terms of Business and detailed Terms of Reference agreed for each engagement. The estimated internal audit fee for each financial year is \$150K exclusive of GST and expenses as agreed.

We hold detailed scoping meetings prior to work commencing to establish the Terms of Reference for that particular project. The scoping meetings held, together with changes in the Council, may require the scope to be extended or shortened, with commensurate adjustments to hours and costs. All changes will be agreed and approved via a Terms of Reference prior to work commencing.

<i>Value / Internal Audit Strategy</i>	<i>Material Risk* / Strategic Objective linkage</i>	<i>Internal audit response</i>	<i>Summary scope</i>	<i>Deliverable</i>
<i>Business Process and Systems</i> Business continuity Resilience High availability Rapid recovery	Cyber Critical assets Health & Safety (Internal & External)	Detailed testing of the priority systems. <i>Value protection</i>	Assessment of the cyber threat to HCC's critical infrastructure.	Identification and recommendations to improve the cyber security of critical infrastructure areas.
<i>Process improvement</i> Right outcome for the customer	<i>Best in Business</i> Poor data, analysis and response	Benchmarking corporate and core services. <i>Value enhancement</i>	Benchmark selected core activities for customer experience and delivery cost to comparable organisations.	Identification of cost drivers and opportunities to perform activities differently to improve customer experience and delivery.
		Process optimisation. - Capital WIP - Procurement - Asset Management <i>Value enhancement</i>	Assess process flows and use visualisation tools to identify the true process trails.	Identification of inefficiencies in an operational process to enable focused effort on areas for efficiency gains.

* HCC's Material Risks are included on page 16



Proposed Internal Audit Plan – further out

The following areas were identified as needing inclusion in the internal audit plan. Their prioritisation has been based on a number of factors, including: relative level of risk and benefit, whether they have been subject to internal audit in recent years, known changes in the tools available in the future.

For example, we anticipate the use of predictive data analytics for Health and Safety as an improved way of helping to prioritise activities and safeguards. To make best use of these tools, there needs to be a certain quantity and quality of data available, which Vault should provide in the future. We will continue to monitor the development of these different opportunities and keep management up to date as an when such tools become available.

<i>Value</i>	<i>Material Risk / Opportunity</i>	<i>Internal Audit</i>
Positive H&S culture that supports openness, learning and constantly adjusts	Health & Safety – workers	Safety culture improvement Predictive data analytics
Hamilton is perceived as a safe place to live	Health & Safety – community	Community risk identification Predictive data analytics
City keeps running	Failure of BCP	BCP framework BCP preparedness Simulation exercises
Our community is prepared	Inadequate civil defence response	Civil defence readiness assessment
We invest in the right things at the right time	Financial strategy failures	Planning / right information
Better strategic and operational planning based upon properly informed decisions	Poor data, analysis and response	Data requirements/capability Analytical tools
Well planned growth leads to better city to live in	Embrace growth	Planning / right information

Internal Audit Plan
Development

Internal Audit Plan

Administrative Matters

Performance Measurement of the Internal Audit Plan

HCC was clear that they wanted an internal audit provider who worked in partnership with them, supporting your growth and transformation challenges. PwC are committed to team with you and deliver a strategic internal audit partner that delivers trust and confidence through:



Tighter connection to your strategic agenda, helping you influence change, leveraging agile delivery mechanisms.



Bringing an **innovative and transformative** lens to everything internal audit does.



Pragmatic recommendations that not only support a sound control environment but align with where you want to take the organisation strategically.



Providing even **greater business confidence** and insights using data and technology



Proactive involvement in your culture change, helping you accelerate and get it right first time.



Everything we do being fit for purpose, continuing to flex our engagement model to **optimise your return on investment**.

We will work with management to identify appropriate measures by which we can evaluate our performance.



Administrative Matters

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Attachment 1

- Internal Audit Plan Development
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- Administrative Matters

Your core Internal Audit team and Subject Matter Experts

This is your core internal audit team and subject matter experts that will be used to deliver the proposed engagements.

Core Internal Audit Team

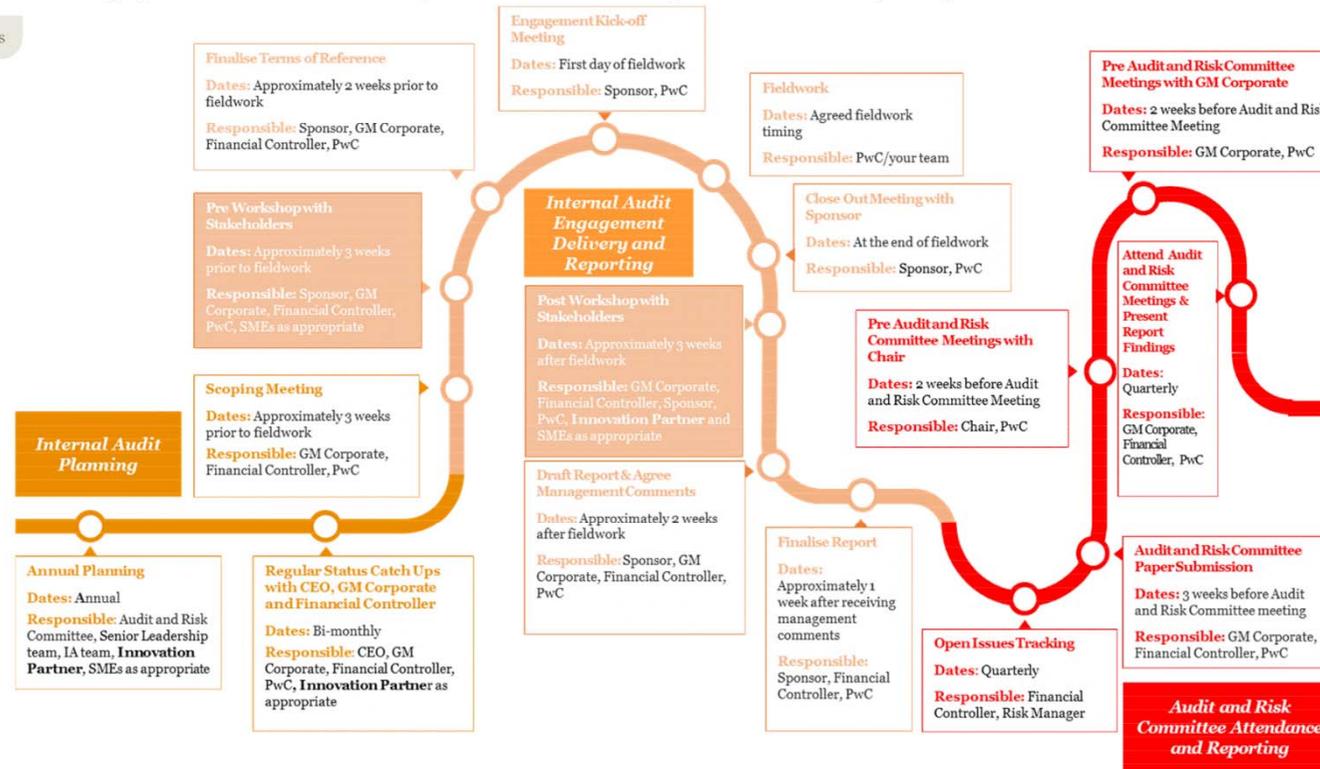
<p>Andrew Holmes Lead Partner PwC Auckland</p> 	<p>Sharon Cresswell Local Delivery Partner PwC Hamilton</p> 	<p>Aaron Steele Account Manager PwC Hamilton</p> 	<p>Yoonyoung Lee Senior Manager PwC Auckland</p> 	<p>Gareth Parry Innovation Partner PwC Wellington</p> 
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Subject Matter Experts

<p>Drew Parker Cyber SME PwC Wellington</p> 	<p>Cyrus Facciano Predictive Analytics SME PwC Auckland</p> 	<p>Patrick Lyon Benchmarking SME PwC Auckland</p> 	<p>Mirko Von Schroder Process Optimisation SME PwC Auckland</p> 	<p>David Walker Capital Management SME PwC Auckland</p> 
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Communication and Reporting Protocols

Below is a detailed and collaborative communication plan for the execution of the internal audit, outlining our approach to achieving timely, open and honest communication, and how we will work with you to ensure we meet your expectations.



- Internal Audit Plan Development
- Internal Audit Plan
- Administrative Matters

City scope of engagements delivered

Our city scope illustrates the focus of internal audit across the previous five years, starting with specific risk based projects (value enhancement) while management focussed on embedding core processes. Moving through to assessing the consistency of application of these core processes and controls (value protection), with a mix of value enhancement when required.



HCC Material Risks

Rank	Risk Description	Inherent Risk Rating <small>Rated before controls are implemented</small>	Residual Risk Rating <small>Rated after the controls have been implemented</small>
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 Council's Financial Strategy is not effective in guiding appropriate decision making to meet the financial pressures associated with looking after the assets and amenities of the city whilst investing in growth infrastructure	Very High 	Very 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'.



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