

## Notice of Meeting:

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

**Date:** Tuesday 3 September 2019  
**Time:** 1.00pm  
**Meeting Room:** Committee Room 1  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

---

## Audit & Risk Committee OPEN AGENDA

---

### Membership

**Chairperson:** External appointee - Keiran Horne

**Deputy Chairperson** External appointee - Bruce Robertson

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

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

**Quorum:** Four members (including one external appointee)

---

Becca Brooke  
Governance Lead

**27 August 2019**

Telephone: 07 838 6983  
Becca.brooke@hcc.govt.nz  
www.hamilton.govt.nz

**Purpose:**

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
2. Monitoring Council's compliance with legislation.
3. Monitoring the Council's external and internal audit process.
4. Ensuring the independence and effectiveness of Council's Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
6. Providing a communication link between management, internal auditors/external auditors and Council.
7. Supporting measures to improve management performance and internal controls.
8. Report to Council 6 monthly on key risks.
9. Such other Matters referred to it by Council.

<b>The Committee is delegated the following Terms of Reference and powers:</b>
--

**Terms of Reference:***External Audit*

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

*Internal Audit*

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

*Other Matters*

9. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.
10. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines (including health and safety).

11. Engage with internal and external auditors on any specific one-off audit assignments.
12. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
13. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
14. Review and monitor integrity of interim and annual reports and recommend to Council for adoption.
15. Review and monitor business continuity planning.

**The Committee is delegated the following recommendatory powers:**

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

**Special Notes:**

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Council appoints two external members of the committee, one of whom shall be Chairman. External members shall have a broad range of skills and experience including accounting or audit experience; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election.
- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

**Oversight of Policies:**

*Risk Management Policy*

<b>ITEM</b>	<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>1</b>	<b>Apologies</b>	<b>5</b>
<b>2</b>	<b>Confirmation of Agenda</b>	<b>5</b>
<b>3</b>	<b>Conflict of Interest</b>	<b>5</b>
<b>4</b>	<b>Public Forum</b>	<b>5</b>
<b>5</b>	<b>Confirmation of Audit and Risk Committee Minutes - Open - 16 May 2019</b>	<b>6</b>
<b>6</b>	<b>Chief Executive Report - Verbal Update</b>	<b>12</b>
<b>7</b>	<b>Safety and Wellness Report - 1 May 2019 to 31 July 2019</b>	<b>13</b>
<b>8</b>	<b>Risk Management Report</b>	<b>27</b>
<b>9</b>	<b>Building Warrants of Fitness (BWOs) Current Process and BWOs - Verbal Update</b>	<b>58</b>
<b>10</b>	<b>Organisational Improvement Register Report - 31 July 2019</b>	<b>65</b>
<b>11</b>	<b>2019/20 Internal Audit Update</b>	<b>69</b>
<b>12</b>	<b>Audit NZ Interim Management Report 2018/19</b>	<b>81</b>
<b>13</b>	<b>Updated Management Policies: Protected Disclosure and Fraud &amp; Corruption</b>	<b>100</b>
<b>14</b>	<b>Audit &amp; Risk Committee Self Review</b>	<b>111</b>
<b>15</b>	<b>Resolution to Exclude the Public</b>	<b>115</b>

**1 Apologies**

**2 Confirmation of Agenda**

The Committee to confirm the agenda.

**3 Declaration of Interest**

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

**4 Public Forum**

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

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

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

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

# Council Report

**Committee:** Audit & Risk Committee

**Date:** 03 September 2019

**Author:** Rebecca Watson

**Authoriser:** Becca Brooke

**Position:** Committee Advisor

**Position:** Governance Team Leader

**Report Name:** Confirmation of Audit and Risk Committee Minutes - Open - 16 May 2019

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Staff Recommendation

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 16 May 2019 as a true and correct record.

## Attachments

Attachment 1 - Audit and Risk Committee Open Minutes - 16 May 2019 .

## Audit & Risk Committee

### OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Thursday 16 May 2019 at 1.00pm.

#### PRESENT

**Chairperson:** Keiran Horne – External Appointee

**Deputy Chairperson** Bruce Robertson – External Appointee

**Membership** Mayor Andrew King  
Cr Garry Mallett  
Cr Dave Macpherson  
Cr Rob Pascoe

**In Attendance** David Bryant – General Manager Corporate  
Chris Allen – General Manager Development  
Eeva-Liisa Wright – General Manager Infrastructure Operations  
Sean Hickey – General Manager Strategy and Communications  
Lance Vervoort – General Manager Community  
Blair Bowcott – Executive Director Special Projects  
Luke O'Dwyer – City Planning Manager  
Tracey Musty – Financial Controller  
Morva Kaye – Internal Auditor  
Stafford Hodgson – Programme Manager Economics and Policy  
Nathan Dalgety – Team Leader Growth Funding and Analytics  
Andre Chatfield – Risk and Insurance Manager  
Dan Finn – People Safety and Wellness Manager  
Christie Harger – Corporate Business Manager

Sharon Cresswell - PWC  
Aaron Steele - PWC  
Naude Kotze - Audit NZ  
Clarence Susan – Audit NZ  
Lachlan Muldowney – City Solicitor  
James MacGillivray – Tomkins Wake

**Governance Staff** Rebecca Watson – Committee Advisor

**1. Apologies**

**Resolved:** (Cr Macpherson/Cr Pascoe)

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

**2. Confirmation of Agenda**

**Resolved:** (Cr Mallett/Mr Robertson)

That the agenda is confirmed, noting that Item 6 (*Chief Executive Report – Verbal Update*) would be taken as read due to the absence of the Chief Executive.

**3. Declarations of Interest**

No members of the Council declared a Conflict of Interest.

**4. Public Forum**

No members of the public wished to speak.

**5. Confirmation of Audit and Risk Committee Minutes - Open - 5 March 2019**

**Resolved:** (Cr Pascoe/Cr Mallett)

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 5 March 2019 as a true and correct record.

**6. Chief Executive Report - Verbal Update**

The written cover report was taken as read.

**Resolved:** (C Mallett/Mr Robertson)

That the Audit and Risk Committee receives the report.

**7. Independent Audit on Development Contributions Process - 2018-28**

The General Manager Development spoke to the report, giving an overview of the process of the independent review undertaken and the subsequent changes made as a result of the review.

It was noted that the process undertaken was an independent review by PWC, not an audit.

Committee Members asked questions concerning inclusion of assets in the 10-Year Plan, alignment of schedules to the Annual Plan, and process to update the Development Contributions schedule.

**Staff action:** *staff undertook to include in the Capital Portfolio Monitoring Report an update on, and the Council's response to the 7 areas for improvement identified by PwC as part of the review undertaken on the Development Contributions Process.*

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

That the Audit and Risk Committee receives the report.

## 8. Safety and Wellness Report

The People, Safety and Wellness Manager spoke to the report, noting some of the programmes being undertaken to communicate the safety management programme.

Committee Members asked questions concerning:

- process of notifiable events,
- consistency in Health and Safety,
- work being done to upgrade communication devices,
- psychosocial incidents and reporting,
- current initiatives concerning workloads and stress, and
- incidents of bullying and harassment and programmes to support staff.

**Staff action:** *Staff undertook to include in the Safety and Wellness Report outcomes with staff as part of the notifiable event reporting.*

**Resolved:** (Mayor King/Mr Robertson)

That the Audit and Risk Committee receives the report.

## 9. HCC Risk Management Report April 2019 (Recommendation to Council)

The Risk and Insurance Manager spoke to the report, noting some of the changes made to the Council's risk management as a result of recent incidents around the country.

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

That the Audit and Risk Committee:

- a) receives the report; and
- b) recommends the updated Council Risk Management Policy to Council for approval.

## 10. Organisational Improvement Register Report

The Financial Controller spoke to the report, and provided an update on the status of Project Kookiri, and clarification on the Audit NZ recommendations for improvement as part of the 2017/18 Audit Report.

Committee Members asked questions concerning dates for Project Kookiri, resourcing issues if AX and Project Kookiri needed to be run parallel for a period, and the data migration process.

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

That the Audit and Risk Committee receives the report.

**11. 2019 Annual Report Accounting Treatment Review**

The Financial Controller spoke to the report, noting some of the work being undertaken to review the value of assets for the Annual Report 2019, and material impairments.

Committee Members asked questions concerning provision for potential weathertight and landfill issues, depreciation, reporting of non-financial performance measures and borrowing costs.

**Resolved:** (Mr Robertson/Cr Macpherson)

That the Audit and Risk Committee receives the report.

**12. 2018/19 Internal Audit Update 30 April 2019 and Draft Internal Audit Plan for 2019/20 - 2021/22**

The Financial Controller spoke to the report, and introduced Sharon Cresswell and Aaron Steele from PwC, who gave an overview of the internal audit plan.

Committee Members asked questions concerning data governance, LGOIMA information requests, and staff access to email.

**Staff action:** Staff from PwC undertook to include years to the plan on page 66 of the agenda (ie 2019/2020 etc).

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

That the Audit and Risk Committee:

- a) receives the report;
- b) notes the progress against the PwC and Hamilton City Council Internal Audit Plans; and
- c) approve the draft Internal Audit Programme for 2019/20 – 2021/22.

*Cr Mallet retired from the meeting (3.08pm) during the above item. He was not present when the matter was voted on.*

**13. Annual Report 2019 Planning Update**

The Financial Controller introduced Naude Kotze from Audit NZ, and gave an overview of the proposed timetable provided by Audit NZ.

**Resolved:** (Mayor King/Mr Robertson)

That the Audit and Risk Committee receives the report.

**14. Audit Engagement for 2019, 2020 and 2021**

The report was taken as read.

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

That the Audit and Risk Committee receives the report.

## 15. Resolution to Exclude the Public

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

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

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Audit and Risk Committee Minutes - Public Excluded - 5 March 2019	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Verbal Update on any Legal Issues and/or Risks	)	
C3. Cyber Risks/Issues - Verbal Report		

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

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

**The meeting moved to a public excluded session at 3.27pm.**

**The meeting was declared closed at 3.58pm.**

# Council Report

**Committee:** Audit & Risk Committee **Date:** 03 September 2019  
**Author:** David Bryant **Authoriser:** Richard Briggs  
**Position:** General Manager Corporate **Position:** Chief Executive  
**Report Name:** Chief Executive Report - Verbal Update

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. The Chief Executive will provide a verbal update of key risks faced by Hamilton City Council.

## Staff Recommendation

That the Audit and Risk Committee receives the verbal report.

## Attachments

There are no attachments for this report.

# Council Report

Item 7

**Committee:** Audit & Risk Committee

**Date:** 03 September 2019

**Author:** Dan Finn

**Authoriser:** David Bryant

**Position:** People, Safety & Wellness  
Manager

**Position:** General Manager Corporate

**Report Name:** Safety and Wellness Report - 1 May 2019 to 31 July 2019

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on safety and wellness performance and activities for the period covering 1 May 2019 – 31 July 2019.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Attachments

Attachment 1 - Safety and Wellness Audit and Risk Report .

**THINK SAFE**  
**WORK SAFE**  
HOME SAFE EVERYDAY

Safety and Wellness

# AUDIT AND RISK REPORT

AUGUST 2019

# CONTENTS

<b>1.0 Executive summary</b>	<b>3</b>
1.1 Overview	
<b>2.0 Safety performance</b>	<b>4</b>
2.1 Graphs	
<b>3.0 Health and safety trends</b>	<b>5</b>
3.1 Preamble	
3.2 Notifiable Events	
3.3 Lost Time Injuries	
3.4 Medical Treatment and First Aid Injuries	
3.5 Near Hit Reporting	
3.6 Assurance	
3.7 Site Visits – Emerging issues	
3.8 Worker Participation and Engagement	
3.9 Engagement with Regulatory Agencies	
3.10 Engagement with other Organisations	
<b>4.0 Key health and safety initiatives</b>	<b>9</b>
4.1 Safety Management System	
4.2 Lone Working	
4.3 Contractor Prequalification	
4.4 Critical Risks	
4.5 Health and Safety Reporting System – Vault	
4.6 Wellness Programme – WorkWell	
4.7 Training and Competency	
4.8 Return to Work	
<b>5.0 Health and wellbeing</b>	<b>12</b>
5.1 Bullying and Harassment Monitoring	
5.2 Employee Assistance Programme (EAP)	
<b>6.0 Summary</b>	<b>13</b>

# 1.0 Executive Summary

## 1.1 Overview

The Safety and Wellness Team continue to develop and refine our Safety Management System (SMS), to provide a solid foundation for continuous improvement. Through the optimisation of our systems, processes and procedures there is greater emphasis being placed on how we partner and work with our people leaders, including those who perform the work, to bring about the greatest change in our collective mindset to improve safety performance.

For this reporting period, our overall safety performance is currently tracking above our key performance indicators (lag), which measure the frequency of safety events per hours worked, however when consideration is given to our wider programmes of work and engagement activities, there is a lot to be proud of and to celebrate.

As we start our new annual performance cycle we are determined to optimise and deliver great safety programmes based on important principles that bring about great community outcomes through our high-performance way of working. Our critical few and key outcomes for the next 12 months and beyond include;

- Having in place a structured safety framework that fosters a proactive approach to managing safety and well-being across all levels of our organisation
- We have the right tools and systems to provide a credible platform that is relevant, fit for purpose and integrates our risk management practices
- Our WorkWell Programme provides a structured approach that supports improved well-being across the whole of Council through targeted interventions
- Our high-performance culture and way of working reflects our effort and focus on safety and well-being activities, driving continuous improvement in everything we do
- We will partner with our stakeholders to create a safe and healthy work environment to improve the safety and well-being of our people

## 2.0 Safety Performance

### 2.1 Graphs

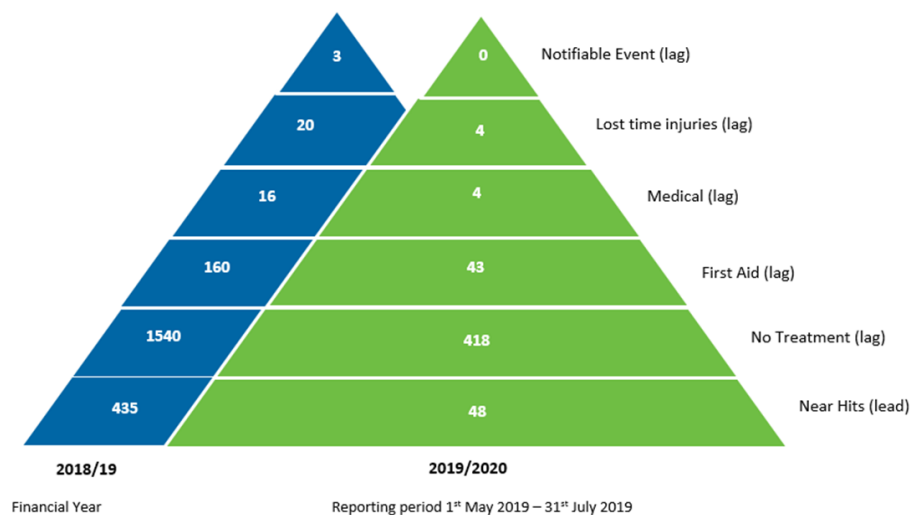


Figure 1: Performance Indicators for events reporting period 1<sup>st</sup> May – 31<sup>st</sup> July 2019

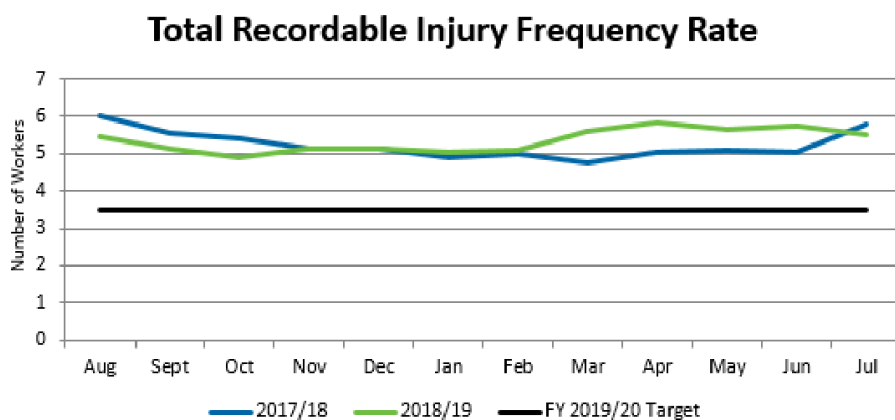


Figure 2: Total recordable injury frequency rate per 200,000 work hours for rolling 12 months

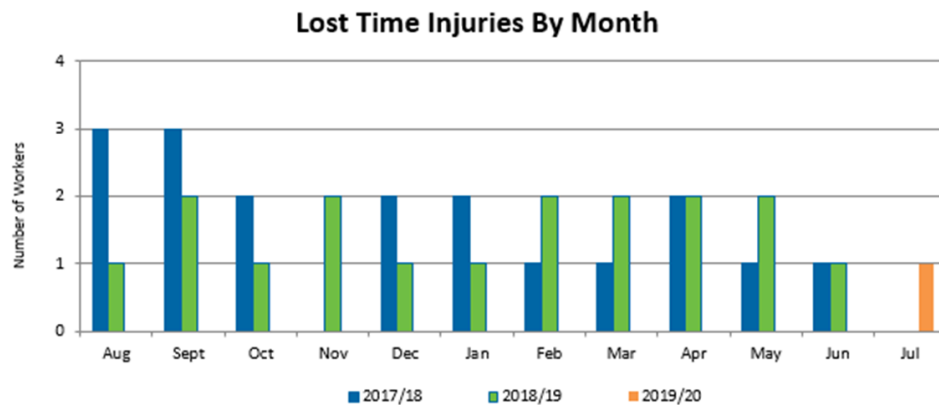


Figure 3: Lost time injuries by month for previous two performance/financial years

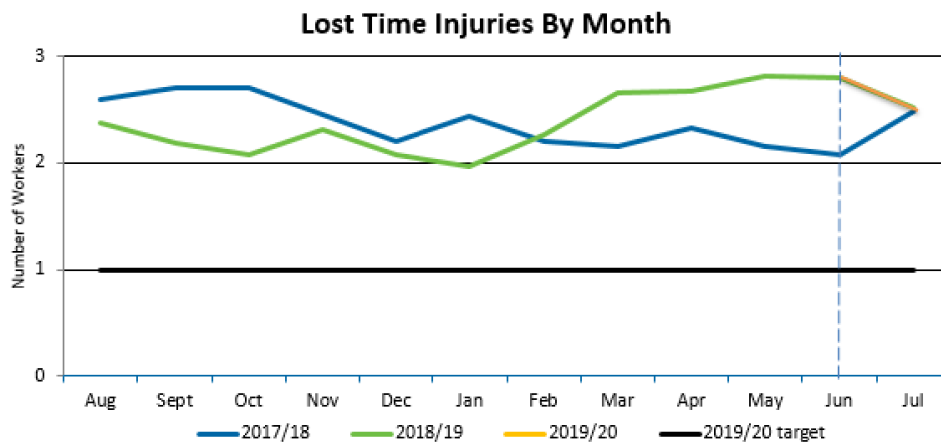


Figure 4: Lost time injury frequency rate per 200,000 work hours for FY18, FY19 and FY20

## 3.0 Health & Safety Trends

### 3.1 Preamble

During this reporting period (1 May to 31 July 2019) we have seen the number of lost time injuries start to decline, albeit slowly apart from July's result, however there remains no discernible pattern of causation.

Timely reporting, early invention and injury management practices continue to be obvious levers to help support performance improvement, however our people's mindset when undertaking safe work practices should be supported by job safety analysis (JSA), which is critically important as part of our planning and preparedness for working safely.

We continue to experience some delay with data being entered after the reporting cut off dates, which continues to have an impact on our data reliability and integrity. Our H&S Advisors continue to work closely with teams or those persons responsible for entering data to improve timeliness and therefore increase accuracy of data for reporting purposes.

### 3.2 Notifiable Events

There have been no events notified to WorkSafe between 1 May to 31 July 2019.

### 3.3 Lost Time Injuries

Between 1 May to 31 July 2019 we recorded four lost time injuries, compared to five for the same period last year. At the end of 31<sup>st</sup> July our LTIFR was 2.52 per 200,000 work hours verses our target of 1.0.

Date	Department	Description and Findings
30/05/2019	Gardens	I was walking down the river bank and I felt a pain in my right foot. The next morning it was very painful.
28/05/2019	Facilities	Project Manager was walking on the roof of FMG Stadium when his head hit a tie rod.
10/06/2019	Museum	Preparator hurt his back, unloading sheets of MDF from the van.
19/07/2019	Animal Control	We were trying to get an aggressive dog out from underneath the seat in the crush cage. The dog was attacking our catch poles and was hiding underneath the seat so that we couldn't put the noose over her neck. Animal Control Officers were standing up with their poles trying to get the catch pole over the top of her neck. I was squatting down on the ground, leaning forward with a pole trying to pry her out from underneath the seat so that we could pole her. When we finally got her on the pole, I stood up and felt a burning inside of my knee.

Table 1: Lost time injury 1 May to 31 July 2019

### 3.4 Medical Treatment and First Aid Injuries

Between 1 May to 31 July 2019 we recorded four medical treatment injuries and 43 first aid injuries. At the end of 31<sup>st</sup> July our TRIFR was 5.51 versus our target of <3.5.

### 3.5 Near Hit Reporting

Between 1 May to 31 July 2019 we recorded 83 near hits, which is a significant reduction in the reporting of near hits compared to 181 for the same period last year.

Near hit reporting is an important indicator, as they provide a precursor for future events taking place. It is important that we continue to encourage near hit reporting to prevent the same events from reoccurring, which could result in more serious consequences if adequate controls are not implemented. It remains critically important that workers reporting events are provided feedback and that key learnings are shared across Business Units.

### 3.6 Assurance

Between 1 May to 31 July 2019 there were 99 health and safety audits carried out, made up of 46 manager audits and 53 worksite/contractor audits. These assurance activities do not always reflect the work being undertaken in the assurance space, as our safety system (Vault) is not being fully utilised for recording purposes. The assurance framework, as part of our wider SMS, will look to reset how these assessments are carried out to improve engagement as well as the level of frequency to provide meaningful insights for remediation.

To provide an immediate solution we have rolled-out and made available i-auditor, which is a tool that provides a consistent approach and process on assurance activities undertaken by staff. Infrastructure Operations, H3 and the Health and Safety Team are currently using i-auditor with plans to extend and rollout to other Business Units and appropriate.

Between 1 May to 31 July 2019 there were 431 safety observations providing workers and managers with an opportunity to have positive safety conversations as well as addressing any unsafe practices.

As part of a key undertaking to manage our critical risks we engaged AUT to undertake an assessment focused on psychosocial hazards and risks at Hamilton Zoo. We had a positive response rate of over 80% to the survey. In addition to this assessment a desktop safety review of zoo practices and procedures has commenced. It is expected that a safety assessment onsite will also be conducted during the last week of August in conjunction with Peter Stroud (who was the zoo expert engaged by PWC for the review undertaken in 2016).

### 3.7 Site Visits – Emerging Issues

1. To ensure the effectiveness of our TMP practices we have established a working relationship with Auckland Transport, which includes access to audit data, monthly trend updates and opportunities for improvement. A review of TMP practices across Council has been undertaken to ensure we follow good practice at all times.
2. We will be reviewing the classification of safety sensitive roles, including workers who might influence or set tasks and duties carried out by those performing safety sensitive work to ensure any staff that have influence and/or impact those staff are considered as part of our Drug and Alcohol testing regime.
3. During site visit discussions with Health and Safety Representatives we have heard that fatigue is becoming more prominent. As a priority issue we need to think outside of our standard risk controls (training and procedures) to better understand and support workers who might be feeling fatigued, as tired workers can increase the potential risk multiplier contributing to a higher chance of a safety event taking place.

### 3.8 Worker Participation and Engagement

As part of our continuous improvement programme we have benchmarked our Health and Safety Representative (HSR) engagement framework against Air New Zealand who were recent winners of a National Health and Safety award for their work in this area.

Taking some of these insights and learnings onboard, we are using our regular catch-ups with our Health and Safety Representatives (HSR's) to leverage smaller facilitated

workgroup discussions, seeking input into HSR roles and responsibilities as well as the numbers of HSR's to be effective.

We are also engaging with the HSR's on the SMS, lone working, safety software solutions and WorkWell initiatives. Further workshops are planned for September/October to discuss governance frameworks, worker participation/engagement and career pathways for our HSR's.

### 3.9 Engagement with Regulatory Agencies

The S&W Team continue to engage with several key agencies on important matters effecting our sector and wider organisational safety that we need to consider. As an example, the team recently met with WorkSafe to discuss the co-created Asbestos Liaison Protocol and how this is applied to work practices, as well as their new focus on transport safety, which they tabled.

WorkSafe have also agreed to provide key note speakers and further support for up and coming Local Government Forums, which we have taken an active role in leading and co-ordinating.

### 3.10 Engagement with other Organisations

We have been working with other organisations, either through informal networks or more formal partnerships to access up-to-date information, new ideas and strategic thinking. During this reporting period we have had conversations and worked with:

#### Auckland Businesses

- Following recent trends and issues associated with our front-line workers we have visited Auckland Library to discuss approaches for managing the risk of violent and aggressive persons in the workplace. We also meet with Auckland City Council and Auckland Transport to discuss safety risk and assurance practices in Local Government

#### Construction Health and Safety New Zealand (CHASNZ)

- The Health and Safety Team Leads continue to engage with CHASNZ regarding contractor prequalification frameworks. Currently there are no common standards for pre-qualification, resulting in a multitude of pre-qualification schemes. This creates significant inefficiency for organisations and are some of the concerns that we have raised

#### Tainui Group Holdings

- Hamilton City Council and Waipa District Council met with Benjamin Hemi, Health and Safety Advisor from Tainui Group Holdings to strengthen our working relationships between parties

#### Waikato/BOP Local Government

- In June the Health and Safety Team co-ordinated a Waikato/Bay of Plenty Local Government Forum focussing on traffic management. This followed recent fatalities in the roading corridor where many of our workers undertake their daily duties and tasks.

This forum brought together several speakers and representatives from various organisations and provided opportunities for future networking

- Due to the success of this forum we are planning to host several other events over the next 6 – 12 months to share key information on important topics, which include:
  - Psychosocial Hazards and Risks in the Workplace
  - Health and Safety in Design
  - Keeping yourselves safe- The complex challenges in a regulatory environment
  - Critical Risk Management
  - Safety Investigations
  - Safety in Event Management

#### Civil Defence

- As part of our planning and preparedness for Civil Defence emergencies, we recently participated in a hypothetical event (torrential rain) co-ordinated by Civil Defence. Fulfilling the role of the health and safety functional lead for this learning event, there were several key learnings from this exercise that we are looking to adopt as further preparation for a follow-up CDEM event scheduled Tuesday 3<sup>rd</sup> September.

## 4.0 Key Health and Safety Initiatives

### 4.1 Safety Management System (SMS)

The Health and Safety Team is currently working on the final version of the SMS Principles and Requirements document, incorporating feedback that was received from Health and Safety Representatives (HSR's), Senior Leaders and other front-line employees.

The following supporting frameworks will be sent out for consultation once the SMS has been signed off. Supporting frameworks include:

- Safety Risk Management
- Safety Assurance
- Safety Governance Framework
- Triaging of Safety Events

Accompanying these frameworks will be short "how too" booklets that outline and explain the roles and responsibilities across all areas of Council. i.e. for HSR's SLT, Team Leaders, Workers and Volunteers.

### 4.2 Lone Working

To minimise the health and safety risks for those who perform work remotely or work in isolated areas alone, organisations must provide a systematic way of working that includes effective communication with the lone worker.

We are currently working with Information Services to ensure 'Crosswire' is upgraded on all our radio telephones (RTs). Crosswire is an advanced software dispatch and radio management platform that provides visual mapping on the whereabouts of staff along with event recording and geo-fencing.

Additionally, we have also established a focus group to explore other Lone Worker solutions available to Council. Several providers have been invited to present both cellular and satellite solutions. As part of the considered solutions, providers should also be able to offer a monitoring service to ensure there are dedicated staff on hand to receive the alarms.

Risk assessment will be conducted with the relevant business units to ensure all Lone Worker risk are identified and managed.

#### 4.3 Contractor Prequalification

A contractor pre-qualification process helps Council ensure contractors who we have engaged to undertake work on assets and/or supply services to us have effective health and safety systems in place to prevent harm to people and the environment or damage to property.

We recently undertook and led an assessment of our SHE's Contractor Pre-Qualification service in conjunction with Hauraki District Council following a previous assessment, which highlighting several gaps that were of concern. This recent assessment revealed significant improvement in both completeness and accuracy of the assessments being undertaken by SHE.

A revision of the online questionnaire Contractors complete to demonstrate their health and safety practices, as well as providing evidence to support, is currently in review. This question set has an increased focus on safety risk management aligned with the recent WorkSafe publication on the subject and will be easier for SHE to administer and contractors to complete.

A short audit will be undertaken with SHE in early October along with a training session on model responses for the new question set.

#### 4.4 Critical Risks

We continue to review our critical risks to ensure that adequate controls are in place and that key undertakings are aligned and support our SMS framework.

As part of the review process we are systematically reviewing the selection of controls, control reliability and effectiveness to ensure they are lowering the risk of exposure. It is critically important that control measures remain effective, be fit-for-purpose, be suitable for the nature and duration of the work and be implemented by workers correctly.

Emphasis should also be placed on utilising incident investigation data to identify causal factors that can be corrected to prevent reoccurrence.

#### 4.5 Health and Safety Reporting System – Vault

After considerable consultation with other organisations using Vault as a safety software solution, it has become apparent that our current safety platform will not meet our future requirements. We are currently developing a business case to present in consideration of a new SMS, which best supports our high-performance organisation and SMS.

#### 4.6 Wellness Programme – WorkWell

The WorkWell survey has now been completed with a 38% (360 staff) response rate. This survey focussed on eight lifestyle areas including physical activity, healthy eating, smoking, mental health and wellbeing, and immunisation and infection control.

We received a lot of great feedback about things staff would like to see Council do to improve their health and wellbeing. The Council's WorkWell working group have met and have selected three areas to focus on (based on feedback).

These are:

- mental health and wellbeing
- physical activity
- whanau friendly.

The working group, who represent our people across the organisation are passionate and want to see change. They are currently developing several action plans to address the three key areas identified, with a clear mandate to shift the dial and ultimately improve the safety and wellbeing of our people.

#### 4.7 Training and Competency

As part of our worker participation and engagement proposition we see great benefit in continuing to develop our Health and Safety Representatives (HSR's) who play an important role in keeping workplaces safe, as well as providing a voice for workers who might not otherwise speak up.

As part of our long-term strategy we will continue to invest and develop career pathways, providing HSR's with the key skills, knowledge and experience as well as opportunities to engage cross-group and beyond, as a viable career choice for the future.

Courses Provided Between May - June 2019	Month	Number Attended
Disability Awareness - Comms	May	17
Personal Efficiency Programme - Day 1	May	7
Mental Health First Aid – Health and Safety Representatives	May - June	59
Bullying & Harassment - Staff	May	68
Bullying & Harassment - Managers	May	8
Peer Support People - Refresher	May	17
Resilience - Building Control	June	45
Personal Efficiency Programme - Day 2	June	7

KiwiSaver and Retirement	June	19
Introduction to Project Management (PMO)	June	18
New People Leaders Session	July	25
Warrant Officer - Basic	July	10
Customer Conflict	July	32
Vulnerable Children's Act - Zoo staff	July	41
Bullying and Harassment - Staff	July	32
New Peer Support Training - 2 days	July	11

Table 2: Health, Safety and Wellness training completed May - July 2019

#### 4.8 Return to Work

Good injury management helps to actively support the assessment and rehabilitation of our workers, for both work and non-work-related injuries, to achieve a safe and early return to work. We know that evidence shows staff recover quicker from an injury at work than at home and that extended absences from work can impact on a person's health and wellbeing, their financial situation and their relationships with family and friends.

We are continuing to refine and improve our approach towards injury management practices to ensure that they are streamlined and effective by centralising the management of return to work for work related injuries within the Health and Safety Team to a single point of co-ordination. Work is underway with other stakeholders to ensure processes are aligned.

## 5.0 Health and Wellbeing

#### 5.1 Bullying and Harassment Monitoring

Our high-performance culture and way of working reflects our effort and focus towards safety and wellbeing.

Bullying and harassment remains an area that requires continued awareness and repeated messaging to ensure our people feel safe to speak up. We continue to report incidents relating to alleged bullying and harassment which are captured and categorised under the following three areas:

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

	Peer Support	Informal Reports	Formal Reports
Total for period 1 May – 31 July 2019	6	4	5

Table 3: Harassment and Bullying

As part of our focus on building capability in this area we have continued to offer training for our Peer Support people, with learning objectives focussed on the following outcomes:

- Knowing the categories of unlawful discrimination as it relates to the ERA
- Identifying the key elements that comprise harassment and bullying
- Identifying behaviours that could amount to harassment
- Understanding the legislation applicable to harassment
- Identifying several ways that individuals can deal with the issue themselves without involving others
- Identifying formal methods of redress for recipients of harassment
- Understanding Councils procedure for addressing harassment.

The Safety Team continue to work closely with the HR Business Partners to align and address issues relating to stress, bullying and fatigue in a consistent and procedurally fair manner, respecting the rights and obligation of all parties.

## 5.2 Employee Assistance Programme (EAP)

Our safety metrics continue to show a high uptake and use of the Employee Assistance Programme (EAP). For the period 1 May – 31 July 2019 there were 48 cases handled through EAP, which is down 10 from the previous reporting period. Most of these cases continue to be through self-referrals and the primary presented issue relate to work stress, personal relationships or divorce/separation/custody.

EAP Use	1 Aug – 31 Oct 2018	1 Nov – 31 Jan 2019	1 Feb – 16 April 2019	1 May – 31 July 2019
New Cases	27	21	31	22
Reopened Cases	4	6	5	2
Pre-existing cases seen during period	23	19	22	24
<b>Total Cases</b>	<b>54</b>	<b>46</b>	<b>58</b>	<b>48</b>
Contact Hours for the Period	103	65	110	97
Average Hours per Client	2	1.7	2.1	2.2

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

## 6.0 Summary

The Safety Team continue to focus our efforts on a blended approach of risk management, assurance and engagement activities to promote safer ways of working through improved job design, workload and safety risk assessments.

Our high-performance way of working is supported and underpinned by our focus and effort to improve the health, safety and wellbeing of people. We think we're a great employer, and we want everybody to think safe, work safe and return home safe every day, so that everybody can enjoy the things that matter most to them.

# Council Report

Item 8

**Committee:** Audit & Risk Committee

**Date:** 03 September 2019

**Author:** Andre Chatfield

**Authoriser:** David Bryant

**Position:** Risk and Insurance Manager

**Position:** General Manager Corporate

**Report Name:** Risk Management Report

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on the status of the Council's eight strategic risks and three key organisational risks.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Background

2. At the 16 May 2019 Audit and Risk Committee meeting the committee approved, for monitoring purposes, eight strategic risks and three organisational risks (see Attachment 1).
3. Each of these risks is listed below along with key commentary provided by each risk owner for discussion.

## Discussion

### Risk 1 - A disaster event

4. This risk was previously reported as a material risk for Civil Defence effectiveness and has been expanded to include additional high-level triggers not considered previously. Hamilton is recognised to have a lower risk profile than other parts of NZ and a collective approach with neighbouring councils and agencies allows for a joint response to a disaster event. Hamilton may also be called upon during an event outside the city to support displaced people and/or as a coordinating centre for affected areas.
5. Councils emergency management framework is supported by Local Emergency Services, Ministry of Civil Defence and Emergency Management (MCDEM), Civil Defence Group, Regional Hazards Group and the local Emergency Operations Centre structure capable of responding to a variety of disasters.
6. HCC continues to have an active training programme in place with actions to create a mandatory training pathway for new employees.
7. Work has started on improving the documentation and socialisation of key plans for reduction, response and recovery activity.

8. While the residual rating for this risk remains very high, the rating is due to the unknown impact a disaster event could have on the city and the community.

#### **Risk 2 - Major economic or financial shock**

9. This strategic risk is similar to a key risk previously reported to the Committee (under the title "Financial strategy failures").
10. There are no indicators showing any material or adverse change in this risk area.
11. This risk has been broadened to identify external factors that could significantly negatively impact the Council and Hamilton City as well as including the relevant controls and mitigations in place.
12. The Council has some short term financial resilience should this risk materialise however the size of the shock will determine what actions the Council may take. A significant shock could require the Council to urgently review and reduce its capital and operating spending.

#### **Risk 3 - Increasing compliance standards due to stakeholder expectations**

13. This is a new strategic risk to be monitored by the Committee.
14. While there are several risks in this area, we already have in place a range of existing controls and mitigations to ensure the Council is reasonably ready to comply with changes in compliance standards.
15. There is always room for increased controls and mitigations to be put in place and staff are exploring options. Staff are reviewing the benefits of subscribing to the electronic platform 'ComplyWith', which could provide the Council with an independent report on key areas of compliance and could allow an efficient and effective approach to compliance management across Council. This could in turn allow us to minimise unforeseen impacts through legislative non-conformances and penalties.

#### **Risk 4 - Cyber attack**

16. The Cyber-attack risk was previously reported to the Committee and is being continually managed. There are no indicators showing material or adverse change in this risk rating of very high which is primarily due to the volatile environment of the internet and rapid changes occurring in technology.
17. The Council have recently improved its cyber detection and monitoring capabilities for adverse attacks. The Chief Information Officer will provide a verbal report in the Public Excluded section of this committee meeting.

#### **Risk 5 - Growth**

18. This strategic risk is similar to a key risk previously reported to the Committee (under the title "Poor data, analysis and response").
19. There are no indicators showing any material or adverse change in this risk area however the growth market for Hamilton City is expecting higher levels of growth that initial modelling has indicated.
20. Growth in neighbouring regional areas, including Tauranga, is being monitored by the Council through local government information sharing initiatives.

### **Risk 6 - Political changes or decisions impact Council's strategic direction**

21. This is a new strategic risk to be monitored by the Committee.
22. This risk focuses on external stakeholder relationship management, monitoring of potential impacts to Council's strategic objectives and engagement/communication.
23. The risk has a Very High rating because of the dynamic and complex nature of Council's significant stakeholder relationships and the number of material issues which are progressing or under action at any point of time. Engagement, communication, executive team and elected member competency, and clarity of strategy are key factors in this risk.
24. Council needs to maintain close relationships with Government and its neighbouring Councils. These relationships are enhanced because of several collaborative forums (such as the Mayoral Forum, Futureproof and Chief Executive Forum).
25. These forums discuss strategic alignment between local and central government initiatives and the associated high-level risks managed between stakeholders. These forums are an important opportunity to influence and mitigate this risk.

### **Risk 7 - Significant shortage of key external resources**

26. This is a new strategic risk to be monitored by the Committee.
27. This risk focuses on the resources and materials strain across New Zealand and what impacts these will have on current or pending development across Hamilton city.
28. A recent government initiative called "Pipeline" provides visibility of the capital portfolio sub-regionally, regionally and nationally, as well as the resources required to deliver these projects. The initiative is aimed at providing transparency and shared capacity between government and local government.
29. In July 2018 the Chief Executive established a Development group within Council to provide specific focus on capital project delivery. Part of the Development group's responsibility is to have regular liaison with industry and to consider resourcing risks for delivery.
30. The new Development group is leading an initiative to provide pipeline visibility to the supply chain for the sub-region. This involves presenting an integrated programme of work arising out of Hamilton City Council, Waikato District Council, Waipa District Council and the NZ Transport Agency. This work will be a logical input to any national pipeline initiatives.
31. To secure professional services resource, Council has worked with Waikato LASS to re-tender a Professional Services Panel. This allows us to understand any resourcing issues in this important part of the supply chain.

### **Risk 8 - High level security threat or major emergency**

32. This is a new strategic risk to be monitored by the Committee.
33. To improve awareness of this risk and security management standards the Council are adopting the Central Governments Protective Security Requirement (PSR) framework. This framework improves governance and response capability through developing key internal and external stakeholder relationships.
34. A fixed term specialist security position was approved in Council's 2018-28 10 Year Plan and has been filled. This role has the responsibility of understanding Hamilton city's security risk profile and identifying key mitigations to support the city's response and recovery should there be a significant event. These works are underway and are expected to be fully implemented by June 2020.

### Organisational Risks

35. Three key organisational risk reports have been included in the appendix to this report to provide visibility and assurance to the Committee that safety risks and risks associated to Hamilton City's critical assets have mitigations in place and are being monitored by staff.
36. The Health and Safety Report relating to the **Health and Safety risk to staff, contractors and volunteers** will be presented in more detail to the Committee in a separate report. There is no material or adverse change in this risk since last reported on.
37. The **Safety and Wellbeing of the Community** risk was previously reported to the Committee. After a discussion with senior management and key stakeholders it became apparent that this risk required further analysis to understand Council's risk mitigation assurance levels for public safety. A deep dive management workshop is planned for late October 2019 to identify all known risks, controls and levels of mitigation to support assurance reporting. Additionally, the workshop will review public safety incidents experienced across New Zealand to gain further insights into public safety risk exposures.
38. The **Failure of Critical Assets** risk was previously reported to the Committee and will continue monitoring of asset conditions via assets management plans which are on-going.

### Emerging Risks

39. Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence or high impact if they materialise.
40. Senior Leadership have identified two high level emerging risks – 'Climate Change' and 'Water quality and quantity supply to the City'.
41. The climate change is a current topic within the Council. A report was provided to elected members at the 8 August 2019 Council meeting.
42. The water quality and quantity supply to the City is monitored by staff with contingency and long-term development plans in place in the event this risk materialises.

### Legal and Policy Considerations

43. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.

### Significance & Engagement Policy

#### Significance

44. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

#### Engagement

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

### Wellbeing Considerations

46. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

47. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
48. There are no known social, economic, environmental or cultural considerations associated with this matter.









## **Attachments**




Attachment 1 - Strategic Risk Register Sept 2019 - Final .

## Council Strategic Risk Summary – August 2019

Attachment 1

Item 8

Risk Number	Strategic Risk Description	Risk Owner	Residual Risk Rating
1	<b>A Disaster Event</b> <i>A natural or man-made disaster event (excluding act of terrorism)</i>	Jen Baird	Very High 
2	<b>Major Economic or Financial Shock</b> <i>An external financial event impacts Council's financial strategy, fiscal and monetary position.</i>	David Bryant	Medium 
3	<b>Increasing Compliance Standards due to Stakeholder Expectations</b> <i>The risk of central government and regional council increasing compliance standards or changes in community expectations.</i>	David Bryant	High 
4	<b>Cyber Attack</b> <i>Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal, and financial losses.</i>	David Bryant	High 
5	<b>Growth</b> <i>Significant change to/in growth demand and/or the consequences growth does not deliver positive outcomes for the community.</i>	Jen Baird	High 
6	<b>Political changes impact Council's strategic direction</b> <i>Political stakeholders make unpredictable decisions or take actions that significantly impact or contradict Council's strategic imperatives.</i>	Blair Bowcott	Very High 
7	<b>Significant Shortages of Key External Resources</b> <i>The market is unable to deliver necessary resources to achieve our strategy; including but not limited to people and material for projects</i>	Chris Allen	Very High 
8	<b>High-Level security threat or major emergency</b> <i>A safety, security or environmental attack materialises and impacts Council's strategic direction.</i>	David Bryant	High 

Risk Number	Organisational Risk Description	Risk Owner	Residual Risk Rating
1	<b>H&amp;S – Workers (incl. contracted workers &amp; volunteer workers)</b> <i>Failure to ensure the health and safety of council staff or workers whose activities are influenced or directed by council, while the workers are carrying out work.</i>	David Bryant	High  Medium
2	<b>Safety and Wellbeing of the Community</b> <i>Failure to create, provide and maintain a safe environment for the community leading to a serious injury incident or fatality.</i>	Lance Ver Voort	High  Medium
3	<b>Failure of critical assets</b> <i>Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).</i>	Eeva-Liisa Wright	High 

Item 8

\* 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. (refer pages 17-20)

\*\* Council takes the safety of our people and the community seriously and are working hard to reduce the likelihood of a serious harm incident. Due to the focus and definition of this risk relating to death or a serious injury, the risk rating (and by extension the target risk rating) can never reduce below 'High' because we consider the consequence to be 'catastrophic'. (refer pages 17-20)

### Emerging Risks – verbal discussion topics





Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence or high impact if they materialise. The following identified risks are not ranked but monitored informally across Council and reported when appropriate. Analysis and mitigation identification have been conducted as operational and business as usual applications.

- Climate Change
- Water quality and quantity supply to the City

Attachment 1

Risk Type	Definition
Strategic	The risk of an event or impact that is <b>external</b> to Council and could impact the organisation's strategies, including Council's Financial Strategy, Long Term Plan and 30 Year Infrastructure Strategy.
Organisational	The risk of an event or impact that is <b>internal</b> or <b>external</b> to Council and could impact the whole organisation.
Operational	The risk of an event or impact that is <b>internal</b> or <b>external</b> to Council and could impact one or more Operational activity.
Emerging	Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence, high impact if they materialise.

### Residual rating legend

Indicator	Description	Indicator	Description
	No change – managed		Adverse change since previous
	New risk		Improved change since previous

Strategic Risk 1					
<b>A Disaster Event</b> <i>A natural or a man-made disaster event (excluding an act of terrorism)</i>					
<b>Risk Owner – (GM Level)</b>	Jen Baird	<b>Category</b>	Strategic Preparation and Disaster Recovery		
<b>Risk Triggers</b> <ul style="list-style-type: none"><li>• Natural disaster event without warning or build up</li><li>• Severe weather events that increase in intensity</li><li>• Critical asset failure that impacts the safety of Hamiltonians – water, energy, telecommunications, financial, transportation</li><li>• Civil unrest – political or social unrest resulting in a security or safety threat to people or assets</li><li>• Disaster caused by failure of man-made structures</li></ul>					
<b>Inherent Likelihood</b>	Likely	<b>Inherent Consequence Driver</b> Strategic Safety & Wellbeing,	Catastrophic	<b>Inherent Risk Rating</b>	<b>Rating</b>  Very High
<b>Existing Controls and Mitigations</b> <ul style="list-style-type: none"><li>• Emergency Management Framework – MCDEM, Group, Local EOC structure</li><li>• Emergency management training program TAKATU implemented for council staff</li><li>• Co-location Emergency Operations Centre (EOC) in dedicated leading-edge emergency operating centre (GEMO) with built in redundancy</li><li>• Robust exercise schedule in place to test preparedness and response functionality</li><li>• HCC Crisis Management Plan</li><li>• HCC Security review and establishment of PSR framework (underway)</li><li>• Annual Capability Assessment – completed September 2019 (71% rating)</li><li>• Stock piling resources or materials</li><li>• Engineering standards identified and managed</li><li>• Criticality assessments and asset identification ratings</li><li>• Asset and Service monitoring capability</li><li>• 3 yearly MCDEM Audits to assess response capacity.</li><li>• Collaboration on emergency management response approach across agencies and the region.</li><li>• Use opportunities nationally to build experience in real events where ever possible</li><li>• Early warning processes are in place / will be considered</li></ul>					
<b>Residual Likelihood</b>	Likely	<b>Residual Consequence Driver</b> Strategic Safety & Wellbeing,	Major	<b>Residual Risk Rating</b>	<b>Rating</b>  Very High

Improvement Plan	Update – August 2019	Action Owner	Mitigation
<ul style="list-style-type: none"> <li>• Improve communication with the public in an emergency response.</li> <li>• Improve how strategic information is shared with key decision makers, spokespeople and the media.</li> <li>• Continue current work on improving the consistency of warnings to the public across all hazards.</li> <li>• Scope work needed to identify and upgrade suitable marae for emergency management purposes.</li> <li>• External capability assessment.</li> <li>• Monitoring of relevant call centre trends</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the Hamilton Community Resilience Implementation Plan is underway.</li> <li>• Implementation of the Waikato Group Community Engagement Strategy is underway.</li> <li>• Engaged with FENZ and a health provider in pilot programme Ngaa Marae Whakaritenga Ohotata – aimed at working with iwi, hapu and whanau at marae delivering emergency training and exercises. Also working with Waanaga O Aotearoa to consider their sites as potential civil defence centres.</li> <li>• Aligned with regional awareness. Final results are due for publication in September.</li> <li>• For future consideration</li> </ul>	Kelvin Powell	Mitigate

Item 8

Attachment 1

## Strategic Risk 2

### Major Economic or Financial Shock

*An external financial event impacts Councils financial strategy, fiscal and monetary position.*

<b>Risk Owner</b> (CE Level)	Richard Briggs	<b>Category</b>	Financial
---------------------------------	----------------	-----------------	-----------

#### Risk Triggers

- Global Financial Crisis
- Rapid increases in inflation, interest rates, oil prices, rapid decline in NZD – leading to significantly higher construction input costs, debt costs, and significant pressure on household rates affordability
- Critical infrastructure failure
- Major construction industry failure
- Major government policy changes negatively impacting Council's income streams or cost base
- Natural disaster or Manmade disaster (deliberate attacks on Critical infrastructure)

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

#### Existing Controls and Mitigations

- Monitoring of macro trends (Finance, Treasury, Economic Growth team)
- Financial Strategy resilience - excess LGFA borrowing headroom, additional \$60M bank facility
- Financial scenario modelling
- Council's ability to urgently reprioritise and reduce capital spending
- Council's ability to urgently reprioritise and reduce community levels of service spending
- Six weekly financial forecasting and planning cycles

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

Improvement Plan	Update – August 2019	Action Owner	Mitigation
<ul style="list-style-type: none"> <li>• The controls and mitigations applied to this risk are managed through BAU and reporting schedules to Council and the Finance Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• GM Corporate supports and accepts mitigations.</li> </ul>	David Bryant	Accepted

## Strategic Risk 3

### Increasing Compliance Standards due to Stakeholder Expectations

*The risk of central government and regional council increasing compliance standards or changes in community expectations.*

<b>Risk Owner –</b> (GM Level)	David Bryant	<b>Category</b>	Environment Strategic
-----------------------------------	--------------	-----------------	--------------------------

#### Risk Triggers

- Central government changes the regulatory standards for compliance: including resource management, environmental (including climate change), pollutant management, corporate (including health and safety, human resources and financial), growth, consultation requirements, health and infrastructural (including traffic and transport) compliance. This might also include changes to the required frequency of Council actions (such as the 10 Year Plan)
- Continual or serious breaches leading to increased compliance and regulation
- Community service-level expectations in management of water quality, recycling and other services not being met
- Failure to plan long term for consenting requirements (both as a regulator and a regulated entity)
- Regional Council changes its policies to ensure legislative compliance (e.g. Healthy Rivers policy)
- External audit identifying major non-compliance within HCC operations (e.g. by International Accreditation New Zealand)
- Legal challenge to HCC policy or practice resulting in findings of non-compliant practices
- Change in stakeholder partner expectations for environmental performance
- Changes to our own District Plan impacting other parts of the business (e.g. changes to resource consents affect consented Three Waters activities)

Inherent Likelihood		Inherent Consequence Drivers		Inherent Risk Rating	Rating
	Likely	Safety & Wellbeing, Financial, Service Delivery, Compliance	Major		Very High

#### Existing Controls and Mitigations

- Community consultation and being in tune with community needs
- Engagement with our iwi partner to understand expectations, including through the Joint Management Agreement
- Compliance Policy - D-2549537
- External monitoring services and advice (Tompkins Wake)
- Internal resources that analyse the impacts of compliance changes
- SLT and Elected Members – assurance requests
- HCC Compliance Management Group
- Key stakeholder engagement, including making submissions to central government on proposed changes affecting compliance requirements
- Infrastructure Strategy and 10 Year Plan ensure projects and resources are in place to deal with increasing compliance requirements
- HCC bylaws and policies ensure community expectations and regulatory standards are met in a consistent manner

Item 8

Attachment 1

# Attachment 1

- Independent audits of HCC practice, including by the New Zealand Transport Authority and International Accreditation New Zealand, to ensure ongoing compliance
- Independent accreditation of HCC facilities (e.g. drinking water laboratory is accredited by International Accreditation New Zealand)
- Competency assessments for staff, including building officers
- Establishment of two new roles in the Building Control Unit to provide extra quality control
- HCC's Chief Executive is involved with the Construction Sector Accord which allows HCC to keep up to date with and influence changes in the sector
- Internal and external reporting (e.g. drinking water test results) ensures ongoing monitoring and compliance
- Notification protocols are in place in respect of various incidents, including wastewater overflow and drinking water concerns, which mitigate risk in the event of an incident

Residual Likelihood		Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance		Residual Risk Rating	Rating
	Likely		Serious		High

# Item 8

Improvement Plan	Update – August 2019	Action Owner	Mitigation
<ul style="list-style-type: none"> <li>• Council considers investing in technology to improve its approach to data and support the infrastructure of the compliance program.</li> <li>• Senior Management considers streamlining policy management to increase responsiveness and policy effectiveness.</li> <li>• Senior management to confirm key compliance monitoring on the following 7 topical areas are maintained:               <ol style="list-style-type: none"> <li>(1) Data privacy</li> <li>(2) Cyber security</li> <li>(3) Bullying and harassment</li> <li>(4) Conflicts of interest</li> <li>(5) Gifts and entertainment</li> <li>(6) Fraud</li> <li>(7) Bribery and Corruption</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• ComplyWith software was previously being considered – it is proposed this is reconsidered to support monitoring capacity.</li> <li>• A review of manual monitoring of legislative compliance requirements is required to confirm alignment to the Compliance Policy for council.</li> <li>• A review of these 7 topics are captured within the internal audit functions and reported at appropriate levels.</li> </ul>	Mothla Majeed	Mitigate

## Strategic Risk 4

### Cyber Attack

*Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal, and financial losses.*

<b>Risk Owner</b> (GM Level)	David Bryant	<b>Category</b>	Disaster Recovery/ Business Continuity
---------------------------------	--------------	-----------------	---

#### Risk Triggers

- IT technology advances – positive and negative
- Inadequate identification of IT security trends, themes, detection and responses
- Poor IT Security awareness / culture / practices
- Privacy Breach
- Outdated hardware and inadequate architecture
- Inadequate competency at organisational level
- Specific targeting and malicious exploitation of security vulnerabilities across Council IT asset infrastructure
- International trends and attacks not being considered in NZ

<b>Inherent Likelihood</b>	Likely	<b>Inherent Consequence Driver</b> Service Delivery	Major	<b>Inherent Risk Rating</b>	<b>Rating</b> Very High
----------------------------	--------	--	-------	-----------------------------	----------------------------

#### Existing Controls and Mitigations

- Risk based approach - 3 Lines of Defence
- National Cyber Security Centre (NCSC) monitoring and trend analysis reporting of local and international IT security challenges – internal and external
- Contractual service level agreements are monitored and maintained
- Department of Internal Affairs and All of Government (DIAAOG) desktop compliance
- Data and system backups – daily, weekly, monthly regime aligned to critical services list
- Disaster Recovery Plan (DRP – under review)
- Technical support from key vendors - Microsoft and Fujitsu
- External and internal security audit and reviews – (PwC, KPMG)

<b>Residual Likelihood</b>	Likely	<b>Residual Consequence Driver</b> Service Delivery	Major	<b>Overall Residual Risk Rating</b>	<b>Rating</b> Very High
----------------------------	--------	--	-------	-------------------------------------	----------------------------

Improvement Plan	Update – August 2019	Action Owner	Mitigate
<ul style="list-style-type: none"> <li>• High level reviews on Councils IT infrastructure are conducted to improve detection and response capabilities.</li> <li>• National and International</li> </ul>	<ul style="list-style-type: none"> <li>• IS are currently establishing and deploying three environments to improve IT security framework. Initial findings will be reported in PX.</li> <li>• Council is supported by</li> </ul>	Mike Lamb	Mitigate

Item 8

Attachment 1

**Attachment 1**

cyber-attack trends are monitored and assessed by the CIO and CTO to improve detection capabilities.	the NZ National Cyber Security Centre (NCSC) for response to attacks and receives quarterly trend updates for consideration. This is an on-going BAU process however recent activity will be reported in PEx.		
--	---	--	--

**Item 8**

## Strategic Risk 5

### Growth

Significant change to/in growth demand and/or the consequences growth does not deliver positive outcomes for the community.

<b>Risk Owner</b> (GM Level)	Jen Baird	<b>Category</b>	Strategic, Service Delivery
---------------------------------	-----------	-----------------	-----------------------------

### Risk Triggers

- Inadequate or inaccurate skills, dates or modelling and scenario planning
- Inadequate provisions in the District Plan to deliver positive outcomes for people / environment
- Inadequate application of the District Plan to deliver positive outcomes for people /environment
- Neighbouring Councils make growth decisions around Hamilton's border that are not aligned with Hamilton's desired growth strategy
- Wider economic down turn or boom to population growth
- Significant change in the market – either demand or supply side
- Significant change in public perception
- Council's decisions that impact growth or growth outcomes

<b>Inherent Likelihood</b>	Likely	<b>Inherent Consequence Driver</b> Service Delivery	Major	<b>Inherent Risk Rating</b>	<b>Rating</b> Very High
----------------------------	--------	--	-------	-----------------------------	----------------------------

### Existing Controls and Mitigations

- Treasury forecasting and modelling integrity
- Future proof growth modelling
- Growth forecasts and modelling around developer contributions externally reviewed
- Quarterly reviews (part of the Hamilton Urban Growth Strategy) to monitor progress against the plan in terms of serviceable land availability.
- Core model inputs prepared by external experts *Market Economics* modelling-reviewed by BERL
- Engagement with neighbouring Councils
- Established data analytics
- Development Contribution model for improved data analysis.
- Hamilton Housing Market & Economy Growth Indicator Report Adopted across the sub- region – quarterly analysis of external housing and market drivers
- Scenario Management Process for DC Model, externally peer reviewed and auditable
- Growth Funding & Analytics Unit
- National Policy Statement - A sub-regional review of land use, demand and supply has now been completed.
- Analytics Strategy – collaborate growth planning environment created around the Hamilton to Auckland Corridor Plan and the reconfiguration of Future Proof.

<b>Residual Likelihood</b>	Likely	<b>Residual Consequence Driver</b> Service Delivery	Serious	<b>Overall Residual Risk Rating</b>	<b>Rating</b> High
----------------------------	--------	--	---------	-------------------------------------	-----------------------

Item 8

Attachment 1

Improvement Plan	Update – August 2019	Action Owner	Mitigation
<ul style="list-style-type: none"><li>• Scenario planning implemented.</li><li>• Analytics strategy established</li><li>• Developer relationships and understanding their drivers</li></ul>	<ul style="list-style-type: none"><li>• DC Policy Strategic Roadmap is underway.</li><li>• Developer Engagement Plan is underway</li></ul>	Greg Carsten	Mitigate

## Strategic Risk 6

### Political Changes or Decisions Impact Councils Strategic Direction

*Political stakeholders make decisions or take actions that significantly impact or contradict Councils strategic direction.*

<b>Risk Owner</b> (GM Level)	Blair Bowcott	<b>Category</b>	Executive Director of Special Projects
---------------------------------	---------------	-----------------	--

#### Risk Triggers

- Political changes including Government strategic direction creating risk or opportunities
- Local political changes, misunderstanding of council's intent
- Political personalities, trust and relationships and change of key personnel – positive & negative
- Failure to manage stakeholder relationships, communication and engagement tactics
- Short term focus overshadows long term cost benefit outcomes
- Political sovereignty/patch protection, lack of alignment or willingness to compromise
- Financial strategy misaligned
- International events, trends or decisions influence NZ
- Major projects or initiatives for the benefit of Hamilton accelerating or slowing down

Note\* Political risk is essentially the probability that a political action/decision will significantly affect Councils strategic direction – whether positively or negatively.

Inherent Likelihood		Inherent Consequence Driver		Inherent Risk Rating	Rating
	Likely	Strategic Political Service Delivery	Major		Very High

#### Existing Controls and Mitigations

- Regular engagement with stakeholders at political and executive level – shared responsibility to manage key relationships
- Regular meetings with Government Ministers and MPs
- Collaborative governance group meetings to progress alignment of strategic direction - Mayoral Forum, Future Proof, Waikato Plan, CEO Forum, WLASS, Regional Transport Committee and other strategic discussions externally
- Regular council briefings for sharing of information an alignment of thinking
- Monthly SLT strategic discussion to ensure awareness of strategic initiatives
- Culture, expectation and policies of HCC organisation regarding behaviours of political, executive and staff and Council Controlled Organisations.
- Participation in national and regional advisory groups

Residual Likelihood		Residual Consequence Driver		Overall Residual Risk Rating	Rating
	Likely	Strategic Political Service Delivery	Major		Very High

Item 8

Attachment 1

Improvement Plan	Update – August 2019	Action Owner	Mitigation
<ul style="list-style-type: none"><li>Council lists major projects that could be subject to political changes or decisions with a material consequence</li></ul>	<ul style="list-style-type: none"><li>Council reviews its key stakeholder register against these projects to ensure effective communication and alignment plans maintained</li></ul>	SLT	Mitigate

# Strategic Risk 7

## Significant Shortage of Key External Resources

*The market is unable to deliver necessary resources to achieve our strategy; including but not limited to people and material for projects.*

<b>Risk Owner –</b> (GM Level)	Chris Allen	<b>Category</b>	Development
-----------------------------------	-------------	-----------------	-------------

### Risk Triggers

- Supply chain company failures
- Major skills/labour shortage
- Competitive market changes – including the cost of resources
- Regional or national event leads to fewer available resources
- International production costs become unfeasible
- International supply chain breakdown
- Market congestion (significant increase in capital portfolios nationally)
- Clients competing for the same resources
- Changes in external funding
- Political changes in the labour market (e.g. immigration policy changes, minimum wage changes)
- International political instability (resulting in, for example, oil price changes)

<b>Inherent Likelihood</b>	Likely	<b>Inherent Consequence Driver</b> Social, Cultural and Environment	Major	<b>Inherent Risk Rating</b>	<b>Rating</b> Very High
----------------------------	--------	--	-------	-----------------------------	----------------------------

### Existing Controls and Mitigations

- Pipeline visibility of the capital portfolio – sub-regionally, regionally, nationally
- Working with other councils + NZTA to coordinate and smooth the workload on the market
- Portfolio and project planning and execution
- Optimising the Procurement Strategy
- Understanding the market
- Identify strategies that are consider when planning – external contracting, internal resource identification
- Stakeholder and Relationship management
- Supply chain engagement

<b>Residual Likelihood</b>	Likely	<b>Residual Consequence Driver</b> Social, Cultural and Environment	Major	<b>Overall Residual Risk Rating</b>	<b>Rating</b> Very High
----------------------------	--------	--	-------	-------------------------------------	----------------------------

<b>Improvement Plan</b>	<b>Update – August 2019</b>	<b>Action Owner</b>	<b>Mitigation</b>
<ul style="list-style-type: none"> <li>• Verbal report to be provided to ARC</li> </ul>		Chris Barton	Mitigate

Item 8

Attachment 1

## Strategic Risk 8

### High-Level security threat or major emergency

*A safety, security or environmental attack materialises and impacts Councils strategic direction.*

<b>Risk Owner (GM Level)</b>	David Bryant	<b>Category</b>	Strategy Safety and Security
----------------------------------	--------------	-----------------	---------------------------------

#### Risk Triggers

- Physical attacks on people at public events or gatherings
- Physical attack on city critical infrastructure – E.g. Waste Water Treatment Plant, Water Treatment Plant, Bridges
- Civil unrest – redirection of resources
- Refugee influx of people into the region from another location due to major event
- Failure to monitor and manage drinking water security and quality
- Chemical attack

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

#### Existing Controls and Mitigations

- Regional and National Emergency Service Relationship Management – Elected Members and Executives
- Protective Security Requirements (PSR) Framework – Governance, Personal, Physical, IT
- Key positions and functions within HCC – Chief Security Officer (Executive)
- Communications and Training Strategy – PSR model

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

Improvement Plan	Update – August 2019	Action Owner	Mitigation
<ul style="list-style-type: none"> <li>• Adoption of the Protective Security Requirement (PSR) framework is to be established, implemented and communicated across Council.</li> </ul>	<ul style="list-style-type: none"> <li>• To support the PSR implementation security risk assessments have been initiated across Council facilities by an external contractor and internal resource. The H3 Group – Seddon Park, FMG Stadium and Claudelands are first focus points due to high density events.</li> </ul>	Andre Chatfield	Mitigate

<ul style="list-style-type: none"> <li>Identify the Waikato and Hamilton City security and threat environment through key stakeholder relationships.</li> <li>Establish governance level security management policy and standards and guidelines aligned to protective Security Requirements (PSR) standard.</li> </ul>	<ul style="list-style-type: none"> <li>As part of the PSR establishment phases Hamilton City's risk profile is being established through key entities within Hamilton. These stakeholders have been identified and some relationships are already being developed. (NZ Police, Central Govt Agencies, Waikato University). Additional entities have been identified and liaison is expected to occur in the coming months (Local Iwi, Hamilton Business Community) in support of the risk profile works being conducted.</li> <li>The internal resource (Organisational Security Manager) has been identified and commenced works 15/07/2019. His function is to establish the governance level of the framework</li> </ul>		
---	---	--	--

**Item 8**

**Attachment 1**

# Organisational Risk

## H&S – Workers (incl. contracted workers & volunteer workers)

*Failure to ensure the health and safety and wellbeing of council staff or workers whose activities are influenced or directed by council, while the workers are carrying out work.*

1

### Risk Owner

David Bryant  
(GM Corporate)

### Category

Health & Safety

### Risk Triggers

- Poor safety culture and/or behaviours across organisation
- Failing to understand duties and accountability relating to health and safety
- Critical health and safety risks not identified, assessed and mitigated adequately
- Safety Management System (SMS) ineffective or inefficient or implementation failures
- Inadequate contractor management frameworks, including procurement and assurance practices
- Not sharing or acting on information and lessons learnt – internal and external to Council
- Complacency leading to greater risks being taken
- Failure to properly engage with and listen to staff
- Staff under resourcing leading to identified risks not being mitigated appropriately
- Time pressures and or complacency leading to acceptance of high levels of risk

### Inherent Risk

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

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

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

### Existing Controls and Mitigations

- Prequalification is in place but not always being used appropriately or consistently across Council
- We currently undertake engagement, wellness and safety culture surveys to assess the level of organisational maturity with regard to safety
- We are re-engaging with Health and Safety Reps to reset Committee structures and purpose, after benchmarking and learning from other high performing organisations
- We are Leading projects for Waikato Local Authority Shared Services and increasing engagement with similarly diverse organisations
- The Safety event triage procedure is ready for implementation as part of the SMS
- Business case is being prepared for the procurement of a more appropriate software solution due to the limitations of our current system – Vault, despite best efforts to re-

configure and provide extended applications to help modernise and improve user experience

- The governance framework in the SMS will address the level and visibility of leadership

## Residual Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	VH	VH
	Highly unlikely	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, illness or death
- (B) Risk of other significant incidents (as defined in the Health and Safety at Work Act).

Improvement Plan	Update – August 2019	Action Owner
<ul style="list-style-type: none"> <li>• A review of the governance levels of the safety management system is to be conducted with PCBU sign off.</li> <li>• A review of the Work Well Initiative is to be conducted and implemented across Council in support of staff. Progress is to be reported quarterly till completed and a monitoring regime implemented for reporting to this committee.</li> <li>• Assurance level reporting is to be conducted and reported with the H&amp;S Report to the Committee and high-level issues are to be identified in this report.</li> </ul>	<ul style="list-style-type: none"> <li>• Final draft of the high-level SMS principals and requirements will be forwarded to the Chief Executive and SLT for sign off in August. The supporting frameworks have also been drafted and will be rolled out using a phased approach</li> <li>• As part of our Work Well initiative, we have identified three areas of focus with action plans being finalised. Our key areas of focus include: <ul style="list-style-type: none"> <li>- Mental health and Wellbeing</li> <li>- Physical activity</li> <li>- Whanau friendly</li> </ul> </li> <li>• AUT have delivered a report into the psychosocial hazards and risks/Hamilton Zoo and this reflects our enhanced engagement with business units to improve the health and safety of our staff</li> </ul>	Dan Finn (People Safety & Wellbeing Manager)

Item 8

Attachment 1

# Organisational Risk

## Safety and Wellbeing of the Community

*Failure to create, provide and maintain a safe environment for the community leading to a serious injury incident or fatality.*

2

**Risk Owner** Lance Vervoort (Deputy CE / GM Community)

**Category** People

### Risk Triggers

- Poor HCC understanding of the H&S risks within the facilities and services Council provides and manages.
- Failures in safety-in-design planning for our amenities and services provided to the community
- Failure in due diligence on assets purchased for use by the community
- Human error / inappropriate behaviours / criminal behaviour or damage at Council assets
- Complacency leading to greater risks being taken by the community of public safety issues
- Failure to properly engage with and listen to the community
- Failure to act on staff and public information or lessons learned from near misses

### Inherent Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H		VH	E	E
	Almost certain	M	H	VH	VH	
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Highly unlikely	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

- Emergency Management System with response processes i.e. Emergency response plans.
- Emergency response training drills
- Specific training programmes for staff within facilities and service management
- Subject matter expert support – internal and external
- Incorporated risk assessments and safety in design planning
- Traffic management plan adoption per requirement
- Maintenance and monitoring plans – built green or operational infrastructure
- Communication Plans and community education support

## Residual Risk (expected rating)

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	VH	VH
	Highly unlikely	L	L	L	M	VH

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).

Item 8

Improvement Plan	Update – August 2019	Action Owners
<ul style="list-style-type: none"> <li>Identify the complexity of this risk of public to the community and Councils legal responsibilities and liabilities.</li> <li>Design and implement an appropriate monitoring approach (audits and reviews by internal/external parties, and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions.</li> <li>Enhance understanding of key risk scenarios and commonality of critical controls.</li> </ul>	<ul style="list-style-type: none"> <li>A management deep dive workshop is planned for mid-October with key internal stakeholders to identify all public safety and wellbeing risks across the organisation. The workshop will identify existing controls or gaps within management processes which will generate treatment plans.</li> <li>The assurance reporting levels have been identified in most areas of the organisation. The deep dive workshop is expected to confirm level of assurance reporting and address gaps identified.</li> <li>Case studies across NZ Councils is part of the works underway for the deep dive workshop. Rotorua, Napier, Auckland and Taupo are some examples being looked at and discussed during the workshop then tested against HCC management of similar services.</li> </ul> <p>Note: A full understanding of this risk has not been analysed to this depth previously and is expected to provide the Dep CE with a higher level of assurance across the organisation relating the facilities and services provided to the community.</p>	Rebecca Whitehead (Business & Planning Manager)

Attachment 1

Organisational Risk					
Failure of critical assets <i>Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).</i>				3	
Risk Owner	Eeva-Liisa Wright (GM City Infrastructure Operations)		Category	Financial	
Risk Triggers					
<ul style="list-style-type: none"><li>• Inadequate budget allocated for maintenance and renewal of critical assets</li><li>• Incorrect analysis in development of maintenance and renewal requirements</li><li>• Poor or incomplete asset data</li><li>• Failure to identify all critical assets</li><li>• Failure to carry out planned maintenance and renewal of critical asset</li></ul>					
Inherent Likelihood	Likely	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance	Major	Inherent Risk Rating	Rating  Very High
Existing Controls and Mitigations					
<ul style="list-style-type: none"><li>• Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM Development</li><li>• Critical asset groups have been identified and management strategies for these assets are documented.</li><li>• Activity Management Plan (AMP) renewals are fully funded over in the 10-Year Plan Budget and critical assets are given a higher priority for renewal.</li><li>• Activity Management Plans were internally and externally reviewed to help identify if budgets are adequate.</li><li>• Infrastructure Strategy is in place to identify significant infrastructure challenges over the next 30 years, and to identify the principal options for managing those challenges and the implications of those options.</li></ul>					
Residual Likelihood	Unlikely	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Major	Residual Risk Rating	Rating  High

Improvement Plan	Update – August 2019	Action Owners
<ul style="list-style-type: none"> <li>Identification of all critical assets and recording data in an asset management system (IPS and RAMM).</li> <li>Capital projects improving critical asset capacities and moving to an N+1 (redundancy)</li> </ul>	<ul style="list-style-type: none"> <li>Initial workshops with City Waters team have been conducted to categorise criticality. Schedule of completion is expected end of financial year (June 2020).</li> <li>Maintenance and monitoring programme is established at operational levels and includes public notifications received at council. This is deemed BAU.</li> </ul>	<p>Paul Gower (Growth and Assets Manager)</p> <p>Maire Porter (City Waters Manager)</p> <p>Jason Harrison (Transportation Manager)</p>

**Item 8**

**Attachment 1**

## APPENDIX A – RISK RATING AND REPORTING

The following tables provide the limits within Hamilton City Council's overall risk threshold which the organisation is expected to operate within and expected responses for each level of risk.

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Highly unlikely	L	L	L	M	H

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 an Activity Group or Project and can also be used for mapping key risks across Hamilton City Council.

### Action Required Table

The following table details the required actions for each risk:

ACTION REQUIRED FOR RISK	
<b>E</b>	<b>Extreme Risk</b> – Immediate action required: risk escalated as appropriate. Action Plans and management responsibility specified with scrutiny required. Only the Chief Executive and/or Council can accept this level of risk.
<b>VH</b>	<b>Very High Risk</b> – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.
<b>H</b>	<b>High Risk</b> – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant General Manager (GM), sponsor, risk manager and programme manager can accept this level of risk.
<b>M</b>	<b>Medium Risk</b> – Management responsibility specified. Managed by specific monitoring and procedures. The relevant programme, unit manager or risk manager can accept this level of risk.
<b>L</b>	<b>Low Risk</b> – Manage by routine procedures. Unlikely to require specific application of resources. The relevant activity manager can accept this level of risk.

## APPENDIX B – RISK REVIEW TABLE

The following table details the required level to which the different risk levels must be reviewed.

RISK LEVEL	ORGANISATIONAL RISKS	REVIEW PERIOD	PROJECT RISKS	REVIEW PERIOD
<b>Extreme</b>	Council	Monthly	Council	Per Project Plan
	Senior Leadership team	Monthly	Programme Manager Project Sponsor	Per Project Plan
<b>Very High</b>	Council	Monthly	Programme Manager Project Sponsor	Per Project Plan
	Senior Leadership Team	Monthly		
<b>High</b>	Senior Leadership Team	Quarterly	Programme Manager Project Sponsor	Per Project Plan
<b>Medium</b>	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan
<b>Low</b>	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan

*\*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.*

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.

Item 8

Attachment 1

## APPENDIX C – RISK REPORTING TABLE

The following table details the required level to which the different risk levels must be reported

Attachment 1

Item 8

RISK LEVEL	ORGANISATIONAL RISKS	REPORTING PERIOD	PROJECT RISKS	REPORTING PERIOD
<b>Extreme</b>	Council	Audit and Risk quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
<b>Very High</b>	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
<b>High</b>	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
<b>Medium</b>	Senior Leadership Team	Monthly	Programme Manager	Monthly
	Wider Leadership Group*	As required		
<b>Low</b>	Senior Leadership Team	Monthly	Programme Manager	Monthly
	Wider Leadership Group*	As required		

*\*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.*

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 reported.



# Council Report

**Committee:** Audit & Risk Committee      **Date:** 03 September 2019  
**Author:** Cory Lang      **Authoriser:** Jen Baird  
**Position:** Building Control Manager      **Position:** General Manager City Growth  
**Report Name:** Building Warrants of Fitness (BWOs) Current Process and BWOs - Update

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on Building Warrants of Fitness and current process, as resolved at the Council meeting held on 8 August 2019.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Attachments

Attachment 1 - Report to Council - 8 August 2019 - Building Warrants of Fitness (BWOs), Current Process and BWOs - Update

# Council Report

Item 10

**Committee:** Council  
**Author:** Cory Lang  
**Position:** Building Control Manager  
**Report Name:** Building Warrants of Fitness (BWOs) Current Process and BWOs Update

**Date:** 08 August 2019  
**Authoriser:** Jen Baird  
**Position:** General Manager City Growth

## Report Status

*Open*

## Purpose

1. To inform the Council on the process and status of Building Warrants of Fitness (BWOs) in Hamilton.

## Staff Recommendation

2. That the Council receives the report.

## Executive Summary

3. The Building Act 2004 (the Act) specifically outlines obligations (for both Territorial Authorities and building owners) and the compliance framework for BWOs. As such, the Council's ability to effect change is limited to the application of processes, education and enforcement (legal notices and fines).
4. This report identifies the number of outstanding BWOs in Hamilton as at 5 July 2019 and explains Council's process.
5. The Council's process for managing BWOs is in line with the Ministry of Business Innovation and Employment's (MBIE) best practice.
6. Having considered the Significance and Engagement Policy, staff have assessed that the matters outlined in this report have low significance. This means that any potential risk is mitigated by the legal framework currently in place.

## Background

### The Council's responsibilities

7. The Act outlines the statutory requirements of a Territorial Authority (TA), with regard to monitoring buildings that contain specific life safety systems and features such as sprinkler systems and fire alarms for the life of the building.
8. These life safety systems and features, including the requirements for regular inspection and maintenance, are included in a Compliance Schedule issued by the Council at the time of issuing a Code Compliance Certificate (CCC). The date the CCC and Compliance Schedule is issued becomes the annual date for a BWO to be issued.

9. The Compliance Schedule outlines the regularity and requirements of the inspection and maintenance required for each system and who is required to carry it out. There are 16 different systems or features that must be included in a Compliance Schedule.
10. For the first year of the Compliance Schedule the Council issues a Statement of Fitness (SOF) that the owner must place on public display in the building (in lieu of a BWOFF). The SOF is replaced by the first BWOFF on the anniversary date of the Compliance Schedule. The SOF is necessary and a legal requirement as at this time, no inspections and maintenance of the life safety features or systems have been carried out.
11. On an annual basis, the Council must manage the receipt of BWOFFs from building owners and determine appropriate regulatory and compliance action.

#### **Building owner's responsibilities**

12. The building owner is responsible by legislation for the inspection and maintenance process by engaging an Independent Qualified Person (IQP) to carry this work out on their behalf.
13. The IQP carries out the inspection and maintenance process for each specified system or feature and provide reports to the owner. It is a legal requirement for the owner to maintain the records of the IQP inspections and reports for the previous 12 months to enable the owner to issue a BWOFF to the Council.
14. The representation of a BWOFF being issued confirms the required inspections and maintenance have been carried out for the past 12 months as required under the Compliance Schedule.
15. The owner is required to issue the BWOFF annually on the basis of the reports and inspections completed by the IQP for the building. The BWOFF must also be placed on view in a prominent place in the building for the public, and the owners must send a copy of the BWOFF and the IQP report/s for each individual system to the Council for its records. This process repeats every 12 months.
16. In some situations, the owner may not be in a position to issue the BWOFF because the IQP recommends the BWOFF should not be issued for specific reasons or the required inspections have not been carried out in accordance with the Compliance Schedule.
17. The owner must provide reasons why a BWOFF is unable to be issued and the Council must assess if the reasons are valid and take appropriate action.

#### **The Council's BWOFF process**

18. The Council carries out a monitoring programme where BWOFF records and the associated buildings are inspected for compliance. An inspection of the IQP records held on the premises is carried out, together with a walk-through of the building.
19. This is a proactive monitoring programme is based on the risk profile of the building. That is high and low risk according to the significance of the use of the building/occupancy –
  - high risk is generally greater occupancy numbers such as an accommodation building where people sleep;
  - low risk is generally an intermittent occupancy with lower occupancy numbers and non-sleeping activities such as a retail shop.
20. All high-risk buildings are inspected annually and low risk buildings over a 5-year period. This is a process that is supported and endorsed by MBIE.
21. There are situations where a building owner may not be able to issue the BWOFF because the IQP recommends the BWOFF should not be issued for one or more of the following reasons:
  - The building is closed or vacant;

- The building is under a current building consent for refurbishment, redevelopment, or seismic strengthening;
  - Remedial work is being carried out on the specified system/s;
  - Building ownership has changed;
  - The contractor/agent or IQP has changed.
22. In circumstances such as a large campus with a large number of buildings, there is often a mix of currently active Building Consents with Compliance Schedules at different stages of completion. This can present a situation where passive fire safety features (such as walls separating fire-cells with penetrations for cabling and pipework through the walls) are still in the process of being completed and upgraded as part of the Building Consent works.
23. In these situations, the buildings will be operating under a Certificate of Public Use (CPU) where we have carried out inspections and are satisfied the building is safe to use due to the active fire safety features (such as fire alarms and sprinkler systems) are operative and have been inspected and maintained by the IQP in accordance with the Compliance Schedule.

#### **Current BWO Position**

24. As at 5 July 2019, the Council had 200 outstanding BWOs across the city, which amounts to 9% of the total number.
25. In line with our risk-based approach, we follow these up through engaging directly with the building owner to understand the nature/reason for the BWO being outstanding along with an assessment for public safety. This may also involve physical on-site inspections.
26. Should the Council have concerns around the safety of building occupants, we have the appropriate enforcement options available to require works to be undertaken and/or the building to be vacated.
27. You will note from the updated report (Attachment 1), of the 200 outstanding BWOs as at 5 July 2019 –
- 60 of these now have BWOs issued, 14 still being processed;
  - 51 buildings remain vacant and/or have active building works underway;
  - 13 Notices to Fix have been issued;
  - A further 15 notices relating only to low-risk buildings are pending;
  - The remaining BWOs, many of which have only recently become due, are under action.
28. Given our live reporting, some of these will only be outstanding by a day while others might be a week or a month while we carry out the appropriate follow up.
29. At any time, there could be a number of outstanding BWOs as the building owner may not have provided a copy to the Council.
30. In practice, it is rare where the matter of an outstanding BWO would require extreme action from Council; in reality, most situations are rectified at an early stage.
31. Moving forward, to ensure greater visibility of BWOs for elected members, regular reporting of outstanding BWOs will be provided as follows:
- Monthly reporting, second Monday of every month
    - High Risk outstanding for a month
    - Low Risk outstanding for two months
  - Containing the following information
    - Building address
    - Risk level
    - Anniversary date

- Any known reasons at that time and/or action taken

## Legal and Policy Considerations

32. Staff confirm that this process complies with the NZ Building Act 2004 and best practice outlined by MBIE.

### Legal

33. The Act specifically outlines obligations (both TAs and building owners) and the compliance framework. As such, our ability to effect change is limited to the application of processes, education and enforcement (legal notices and fines).
34. This report has outlined our current process, which aligns with MBIE's recommended best practices. The Council may wish to increase awareness and education through additional reminder notices/communication and increased onsite audits. This may reduce the number of outstanding BWOFs as a consequence.
35. From an enforcement perspective, if a building is considered 'dangerous' and meets the legal test, immediate action is taken to ensure safety. This is the only legal mechanism available under the Act that the Council has to vacate a building.
36. Alternative options available to the Council are the use of Legal Notices to Fix (NTF) and infringements. NTFs are currently used on a risk-based approach as it is across many councils; however, a wider application of these notices could be considered. Given the legislation and the reasons a BWOF may be outstanding, these notices may not in themselves achieve compliance and enforcement of these would need to be pursued. Paragraphs 35-45 below outline the legal framework in detail for these options.

### Dangerous Building

37. The dangerous building provisions of the Act has not received a lot of judicial consideration. Most of the cases are pre-2004 Building Act and therefore are only of limited value.
38. The starting point in considering whether a building is dangerous is clause 121 of the Act.
39. 121 Meaning of dangerous building
- (1) *A building is dangerous for the purposes of this Act if,—*
- (a) *in the ordinary course of events (excluding the occurrence of an earthquake), the building is likely to cause—*
- (i) *injury or death (whether by collapse or otherwise) to any persons in it or to persons on other property; or*
- (ii) *damage to other property; or*
- (b) *in the event of fire, injury or death to any persons in the building or to persons on other property is likely.*
- (2) *For the purpose of determining whether a building is dangerous in terms of subsection (1)(b), a territorial authority—*
- (a) *may seek advice from employees, volunteers, and contractors of Fire and Emergency New Zealand who have been notified to the territorial authority by the board of Fire and Emergency New Zealand as being competent to give advice; and*
- (b) *if the advice is sought, must have due regard to the advice.*
40. The phrase "likely to cause injury or death" has been considered in law on several occasions, albeit some time ago. In one case it was held that "likely" does not mean "probable"; on the other hand, a mere possibility is not enough.

41. Essentially, what is required is “a reasonable consequence or [something which] could well happen” or “the reasonable probabilities are that the building will cause injury or death unless it gets attention.”
42. The determination of a Dangerous Building is a high threshold. There is always a risk that in the event of a fire, death or injury to persons could occur, but there must be particular features of a building for the risk to be “likely”. The analysis for a dangerous building in relation to fire must first focus on the features and configuration of the building and its compliance with the Building Code at the time of construction to establish or not, if any non-compliance amounts to ‘dangerous’ and warrants the seriousness of a dangerous building notice.

### **Notices and Infringements**

43. Issuing Notices to Fix (NTFs). A NTF is a statutory notice requiring a person to remedy a breach of the NZ Building Act 2004. It can be issued for all breaches of the NZ Building Act 2004.
44. A notice to fix is essentially a warning to correct an instance of non-compliance.
45. Under a NTF, failure to correct the non-compliance is an offence liable to a maximum fine of \$200,000 and a further \$20,000 for each day the offence is continued.
46. Issuing infringement notices is proscribed in Sections 370-374 of the NZ Building Act 2004 and the infringement offences and fees are set under Schedule 1 of the Building Regulations 2007.
47. Offences under an Infringement Notice carry a maximum fine of \$20,000 and a further \$2,000 for every day the offence is continued. TAs can also issue instant fines ranging from \$250 to \$1,000.

### **Policy**

48. The only Council policy relating to the BWOFF process is the Dangerous and Insanitary Buildings Policy.

### **Risks**

49. A potential risk is that building owners do not carry out their role and responsibilities under the NZ Building Act 2004. This would increase the number of outstanding BWOFFs, meaning additional follow up and inspections by the Council, resulting in reducing our ability to proactively audit buildings and educate building owners on a regular basis.

### **Cultural Awareness**

50. In accordance with our obligation under the Local Government Act 2002, staff confirm that the content of this report has taken into consideration any cultural matters where possible to recognise and respect the Council’s responsibility to take appropriate account of the principles of the Treaty of Waitangi, and to maintain and improve opportunities for Maori to contribute to local government decision-making processes.

### **Financial Considerations**

51. There are no financial implications in relation to the current situation; however, should the Council consider the need for a greater level of education, monitoring or inspections, additional resource will be required which would be recovered through standard fees and charges.

## Significance & Engagement Policy

### Item 10

#### Significance

52. Having considered the Significance and Engagement Policy, staff have assessed that the matters outlined in this report have low significance. This means that any potential risk is mitigated by the legal framework currently in place.

#### Engagement

53. Community views are already known to Council through the requirements of the NZ Building Act 2004 which includes the engagement with affected building owners and tenants.

### Additional material

The Compliance Schedule Handbook is intended as a guide in accordance with section 175 of the Building Act. The handbook is intended to provide information about the compliance schedule and BWoF regimes under the Building Act

<https://www.building.govt.nz/assets/Uploads/building-code-compliance/handbooks/compliance-schedule-handbook/Compliance-schedule-handbook-amendment-3.pdf>

This document provides a summary of the objectives, findings and recommendations of the MBIE Technical Reviews conducted during July 2015 to June 2017. These technical reviews focused on statutory territorial authority responsibilities under the NZ Building Act 2004 as it relates to compliance schedules and the Building Warrant of Fitness (BWOF) system.

<https://www.building.govt.nz/assets/Uploads/building-officials/technical-review/council-technical-reviews-2015-2017.pdf>

Owners' responsibilities to ensure their buildings are safe to use.

MBIE Guidance on building warrants of fitness and compliance schedules.

<https://www.building.govt.nz/assets/Uploads/managing-buildings/bwof-guidance/bwof-guidance.pdf>

Hamilton City Council Dangerous and Insanitary Buildings Policy

<https://www.hamilton.govt.nz/our-council/policies-bylaws-legislation/policies/Documents/D-2691439%20Dangerous%20and%20Insanitary%20Buildings%20Policy%20-%20Final.pdf>

# Council Report

Item 10

**Committee:** Audit & Risk Committee

**Date:** 03 September 2019

**Author:** Morva Kaye

**Authoriser:** Tracey Musty

**Position:** Internal Auditor

**Position:** Financial Controller

**Report Name:** Organisational Improvement Register Report - 31 July 2019

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

- To inform the Audit and Risk Committee on the status of the Council's Organisational Improvement Register as at 31 July 2019.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Discussion

- Audit New Zealand identified 34 recommendations for improvement in their 2017/18 Audit Report.
- 10 of these recommendations were closed by Audit New Zealand during the 2019 Interim Audit and 5 new matters were identified as requiring improvement.

Audit New Zealand intend to follow up on the outstanding matters from 2018 during the final audit in August 2019.

Category	2017/18 Audit Report <i>Outstanding matters</i>	2018/19 Interim Audit Report <i>Closed matters</i>	2018/19 Interim Audit Report <i>New matters</i>	2018/19 Interim Audit Report <i>No. of matters outstanding</i>
Fixed assets	16	1	2	17
Information Services	7	5	-	2
Various e.g. update policies, internal controls	11	4	3	10
<b>Totals</b>	<b>34</b>	<b>10</b>	<b>5</b>	<b>29</b>

4. One low risk recommendation in the 2017/18 Audit Report is to 'develop a central register for leases of Council owned properties'. Staff will discuss this recommendation with Audit New Zealand at the final audit and outline the reasons why this matter should be removed from the Audit Report and that 'management accept the risk'.
5. 'Review accounting treatment for found assets' was a new recommendation in the 2017/18 Audit Report.
6. Audit New Zealand recommended *'that the Council reviews its processes regarding found assets to ensure that they are recognised and valued in a timely manner. In addition, we recommend that processes are put in place to determine how assets were originally "lost". This will ensure that subsequent accounting treatment of found assets within revenue or revaluation is correct.'*
7. The Council's found assets are generally components of the infrastructure network.
8. Asset Management staff have begun discussions with business units to identify the types of assets affected and to determine how they were originally accounted for in the financial statements.
9. Staff will be writing business rules for business units to apply when assets are 'found' e.g. assets are recorded in the asset management system when they are 'found' and given a financial value, then the asset will be assessed to determine the correct accounting treatment.
10. This will reduce the risk that the asset and depreciation expense are understated.

### **Financial Considerations**

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

### **Legal and Policy Considerations**

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

### **Wellbeing Considerations**

13. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
14. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
15. There are no known social, economic, environmental or cultural considerations associated with this matter.

### **Risks**

16. The three Audit New Zealand matters classified as high risk relate to fixed assets and will be reported on after the final audit in August 2019.

### **Significance & Engagement Policy**

#### **Significance**

17. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

### **Engagement**

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

### **Attachments**

Attachment 1 - Organisation Improvement Register 31 July 2019 Audit & Risk .

## Organisational Improvement Register as at 31 July 2019

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

Indicator	Risk identified	Audit recommendation/status	Risk rating	Owner	Target completion date	Action / update
Plant, property and equipment - monthly reconciliations	High level reconciliations are prepared between IPS (previously Hansen 8), AX Fixed Asset Registers and the GL. However, no reconciliation is performed over additions and disposals between IPS and the GL. We understand that a process for reconciling additions and disposals between IPS and the GL is being developed. The reconciliations performed to date have identified a number of reconciling items, which are in the process of being investigated and resolved.	2018 Council to ensure disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.	High	Tracey Musty	30/06/18	<b>Update: July 2019</b> <b>Reconciliations, including additions and disposals, between IPS (sub-ledger) and general ledger are being completed and independently reviewed.</b>  <i>Previous comments: October 2018 - April 2019</i> <i>Monthly reconciliations, including additions and disposals, between IPS (sub-ledger) and general ledger are being completed and independently review</i>
Property, plant and equipment – work in progress	We recommended that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We recommended that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	2018 Note delays in the capitalisation of work in progress, with a total of \$30.5 million of work in progress identified by management as complete and in use at balance date, but not yet capitalised in the system.  2017 Note delays in the capitalisation of work in progress.	High	Tracey Musty	30/06/19	<b>Update: July 2019</b> <b>The Business has capitalised 'in use and being processed' assets and reduced the WIP balance down to \$1.3m as at 30 June 2019 (was \$30.5m at June 2018). A process is being developed to clear the balance which is mainly 'connections'.</b>  <i>Previous comment: April 2019</i> <i>Focus has continued to be on processing some of the oldest outstanding WIP, the balance was \$14.3m as at 31 December 2018 (down from \$30.5m in June 2018).</i>  <i>Previous comment: February 2019</i> <i>Improvements continue to be made to processes for capitalising new assets, which has resulted in the organisation improving capitalisation rates throughout the year.</i> <i>Focus has also been on processing some of the oldest outstanding WIP, the balance was \$14.3m as at 31 December 2018 (down from \$30.5m in June 2018).</i>  <i>Previous comment: October 2018</i> <i>A Capital WIP Assessment has been completed by PwC as part of the Internal Audit programme. This includes recommendations that are being review and incorporated into work programmes. The Business is currently focussed on clearing the \$30m balance. Capitalisation activity over the last 12 mont has cleared a significant amount of older WIP that has been complex and time consuming to process. Improvements have been made to monitoring processes and reports to better track performance of the entire capitalisation system.</i>
Property, plant and equipment – timely capitalisation of vested assets	We recommended that asset managers provide information to the finance team (asset accountant) on a monthly basis to ensure vested assets are capitalised in a timely manner.	2018 We continue to note delays in the capitalisation of vested assets, with a total of \$22.9 million of assets vested during the period uncapitalised during the period. For further comments on this year's findings please refer to section 3.2 Management Report for the year ended 30 June 2018.  2017 This issue remains outstanding.	High	Tracey Musty	30/06/19	<b>Update: July 2019</b> <b>Work has been completed on reconciling vested WIP and implementing PwC process improvements.</b>  <i>Previous comment: April 2019</i> <i>Process improvements recommended by PwC have been implemented to assist in timely processing of vested assets. Vested assets are being capitalise at a faster rate than previous years. More active monitoring of capitalisation of vested assets is occurring on a monthly basis.</i>  <i>Previous comment: February 2019</i> <i>The recommendation on improving the timeliness of capitalising vested assets is also being implemented and tracked. Improvements to monitoring of performance of the capitalisation system has been developed to better track progress.</i>  <i>Previous comment: October 2018</i> <i>A Capital WIP Assessment has been completed by PwC as part of the Internal Audit programme. This included focus on the capitalisation of vested assets. The recommendations from this assessment have already been implemented. The recommendation on improving the timeliness of capitalising vested assets is also being implemented and tracked. Improvements to monitoring of performance of the capitalisation system has been developed to better track progress.</i>

# Council Report

Item 11

**Committee:** Audit & Risk Committee

**Date:** 03 September 2019

**Author:** Morva Kaye

**Authoriser:** Tracey Musty

**Position:** Internal Auditor

**Position:** Financial Controller

**Report Name:** 2019/20 Internal Audit Update

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on internal audit progress to 31 July 2019.

## Staff Recommendation

That the Audit and Risk Committee:

- a) receives the report; and
- b) notes the progress against the Pricewaterhouse Cooper and Hamilton City Council Internal Audit Plans




## Background

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

## Discussion

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

KEY

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

4. The following progress has been made on the internal audit engagements included in the 2018/19 and 2019/20 Internal Audit Plans:

Engagements in Progress – 2018/19	Status
<b>Capital Project Delivery</b> The fieldwork for this audit has started.	
<b>Asset Management and Operating Expenditure</b> The audit has been completed and the final draft report is being reviewed by management.	
Engagements in Progress – 2019/20	Status
<b>Preparation of Strategic Planning Documents – Q1</b> The scope of works is being finalised for this work.	
<b>Data Governance – Q2</b> The scope of works will be agreed in September 2019.	
<b>Psoda Data – Q2</b> The scope of works will be agreed in September 2019.	

#### Hamilton City Council internally resourced internal audit – progress summary

5. Progress against the work programme is as follows:

Audit	Status
<b>Vehicle Fleet Process and Controls</b> Audit completed, and the final report is attached.	
<b>Cash Handling and Revenue for Parking</b> Audit completed, awaiting response from management.	
<b>Contract management</b> This is currently being re-scoped. It will cover checking a sample of contracts to ensure that the contracts have been set up and managed correctly.	

6. PwC has continued to support the Council Internal Auditor.

#### Financial Considerations

7. The cost of the PwC annual internal audit programme is \$150,000, which is funded through the 2019/20 Annual Plan.

#### Legal and Policy Considerations

8. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.

## Wellbeing Considerations

9. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
10. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
11. There are no known social, economic, environmental or cultural considerations associated with this matter.

## Risks

12. Any known risks have been identified relevant to the matters in this report.

## Significance & Engagement Policy

### Significance

13. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

### Engagement

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

## Attachments

Attachment 1 - Facilities - Procurement and disposal of fleet assets - internal audit - FINAL .

**Hamilton City Council**

**Internal Audit Assessment**

---

**Procurement and Disposal of Fleet Assets**  
**(Vehicles and equipment)**

---

**29 March 2019**

## Introduction

The terms of reference [TOR] for this audit assessment specify testing systems and controls in relation to the procurement and disposal of fleet assets (vehicles and mechanical equipment) used by Council to provide essential services across its various activities.

## Good practice

The TOR also specified reference to good practice.

PWC made available another Council's 'Fleet Management Internal Audit Report' (dated February 2014). This council is comparable in size to Hamilton City Council, but that audit differs in three main respects:

- The focus was vehicles – not mechanical equipment; whereas, the HCC audit addresses both.
- The other council has “*developed an appropriately designed strategy and service level agreement....embedded throughout Council*” – aligned to its strategic objectives; whereas Hamilton is still developing its own Asset Management Plan that this report can inform.
- The other council's findings were deemed *low-risk*; whereas, the Hamilton findings are in the *medium/high-risk* category.

Other good practice benchmarks included: OAG (Asset Management plans), an Auckland client (referred by PWC Hamilton) and a recent Institute of Internal Auditors workshop in Auckland. Sponsor approval was also obtained to meet with the Fleet Manager for a local Hamilton business.

## Audit conclusions

The main conclusions to arise from this audit are that:

- the **current spreadsheet** used for the procurement and disposal of fleet assets should be discontinued and **IPS** – the fixed asset sub ledger – used exclusively to ensure the integrity of the management of fleet assets.
- **hard controls**<sup>1</sup> are inadequate so there is an immediate need – for all fleet plant and equipment assets – to move, as soon as practicable, from AX to IPS in conjunction with:
  - updating the Fleet **policy**
  - updating and developing **Standard Operating Procedures**
  - ensuring regular oversight of **subcontractor agreements** – with FleetSmart (for repairs and maintenance) and CAL Isuzu (for truck<sup>2</sup> suppliers /fit outs)

<sup>1</sup> Hard controls are formal controls such as policies and procedures, management sign-offs, a documented business plan.

<sup>2</sup> Cars and Utes are purchased through All of Government (AOG) contracts

## Key observations

### 1. Lack of integrity of fleet data

Table 1 (below) summarises the fleet spreadsheet used to make decisions about assets to be renewed as per the 2018/19 capex budget (\$3.4m).

Table 2 shows the differences between Table 1 and fleet assets as recorded in IPS and AX.

Description of asset categories	Fleet spreadsheet		Budget 2018/19			
	No. in each category as at 30/6/18	Purchase cost \$	Renewals No.	Renewals \$	Growth No.	Growth \$
Cars, Station Wagons & SUVs	44	1,114,792	3	68,389	-	-
Trucks <6 tonne	16	944,161	1	118,000	-	-
Trucks >6 tonne	27	2,576,353	11	1,397,552	2	192,485
Utes	65	2,307,076	15	564,209	6	216,577
Vans	11	343,687	2	85,281	-	-
Pool Vehicles	15	362,326	3	70,000	-	-
Manager's Vehicles	2	75,509	-	-	-	-
Misc. Plant & Machinery	27	872,038	2	131,000	1	55,000
Trailers / Caravans	63	612,451	2	17,500	-	-
RTV / Gators	26	620,928	1	25,345	1	33,000
Tractors	21	1,104,537	3	119,800	-	-
Self Propelled Mowers	32	1,096,162	9	311,345	-	-
Towed Mowers	16	350,103	-	-	-	-
	<b>365</b>	<b>12,380,124</b>	<b>52</b>	<b>2,908,421</b>	<b>10</b>	<b>497,062</b>

Reconciliation of fleet assets as at 30 June 2018				
Description	Purchase cost IPS/AX \$	Purchase cost fleet spreadsheet \$	No of assets in IPS/AX	No of assets in fleet spreadsheet
Vehicles	7,343,532	7,442,688	173	173
Equipment*	3,793,530	3,979,306	155	155
Subtotal	11,137,062	11,499,703	328	328
Not in IPS/AX		880,421		37
Not in fleet spreadsheet	1,457,805		56	
<b>TOTALS</b>	<b>12,594,867</b>	<b>12,380,124</b>	<b>384</b>	<b>365</b>
<b>Variances</b>	<b>214,743</b>		<b>19</b>	

*\*Equipment consists of miscellaneous plant and machinery, trailers, caravans, RTV/Gators, tractors and self-propelled and towed mowers.*

The **variances** between the “two systems” are material both in *dollar* and physical *count* terms.

The main concern is the high number and value of fleet assets recognised in one system but not in the other.

The problem is **systemic** such that the variances will resolve *once* all fleet asset transactions have been and are being entered in IPS and then reconciled by doing a physical stocktake.

IPS offers the fleet team:

- the **intrinsic controls** of a *sub-ledger* including reconciliation with AX *general ledger* – as the formal link between Finance (high-level accounting control) and Facilities (operational needs); and
- the opportunity to develop a **robust system** for HCC fleet management needs and protection

The present spreadsheet is not fit for purpose:

- the 'two systems' create a **reconciliation** problem that can be easily fixed by having one asset system i.e. IPS
- there are high error risks<sup>3</sup> where, for example:
  - assets having been already disposed of/sold,
  - duplicate fleet asset numbers
  - missing assets
- better systems and processes should foster greater respect for and care of Council assets – with a lower risk of vehicles and equipment being misappropriated
- over/under insurance of fleet assets means the risk of major damage not being covered or insuring assets that don't exist
- the need to ensure the integrity of financial/non-financial information for planning, budgeting (10-Year Plan and Annual Plan), internal charging and reporting purposes
  - Year 1 of the 10-Year Plan does not distinguish between renewals for *business-as-usual* [BAU] needs versus vehicles and equipment acquired for growth (\$497k).

## 2. Adequacy of controls

The following examples represent a snapshot of the lack of key controls in relation to the management of fleet assets. The present approach is due in part to the absence of the disciplines inherent in using IPS/AX and in part an outdated fleet policy<sup>4</sup>, plans and processes covering procurement and disposal decisions, for example:

- a truck was taken by a Business Unit directly to CAL Isuzu to sell *before* delivery of a new truck without advising the Fleet Controller. The Business Unit then hired a truck resulting (potentially) in unbudgeted hireage costs. The reasons/cost-justification for such decisions needs to be better documented.
- CAL Isuzu was approached by a Business Unit to change body-build fit out specifications that *had already been signed off* without reference to the Fleet Controller. Exceptions like this should require separate authorisation.

<sup>3</sup> Four assets show as sold/disposed in AX OPE were in the Fleet spreadsheet at 30 June 2018.

<sup>4</sup> A Fleet Management Policy was signed In December 2015 with a review date of December 2017 but has not been updated.

- changes made to vehicle fit-outs *once* have they have been delivered, as a rule, should not happen if there is good planning and unless there are exceptional circumstances. Rework is costly.
- there is no independent check that proposed bespoke body build fit outs<sup>5</sup> design and specifications will meet business units expectations/service delivery needs. Did they specify it correctly/did they build it right?
  - Only one business plan was sighted for 62 procurements as part of the 2019 renewals
- CAL Isuzu asked the Fleet team for the 'book value' of a truck sent to be sold. CAL Isuzu noted that the deck of the truck needed to be replaced/repared. In this situation Council should not be advising CAL Isuzu HCC fleet book values. CAL Isuzu's role is to get the best market price. However, this situation also calls for an assessment by the Fleet team as to whether deck repairs are justified in relation to the expected selling price. This assessment should be internal and may include consideration of the book value – i.e. whether or not to sell 'as is'.
- As at the end of 2018 five mowers had been sent to Agrilife to be used as parts in the repair of other mowers. Council has yet to receive any payment for the mowers and they have not been disposed of in IPS.
- In the 2017/18 financial year two trucks were disposed of through CAL Isuzu and one truck through Turners before they were capitalised in IPS.
- Appendix 1 summarises monthly **FleetSmart reports** with audit comments (shaded). Currently, invoices with a value of less than \$1,000 are signed off by FleetSmart but HCC doesn't receive the invoice unless the Fleet team request it. The Fleet Controller authorises repairs and maintenance invoices over \$1,000 but does not retain a copy on file. HCC should be sent all FleetSmart invoices which should be reviewed. Oversight and asking questions will help keep suppliers in check.

### Agreed Management Actions

The following actions form part of a *working plan* to be in place by 30 June 2019:

1. Once all the plant and equipment fleet assets have been moved to IPS, that sub-ledger should be used exclusively for all future Council fleet management (procurement and disposal) data and decisions – and the **current fleet spreadsheet should be discontinued** as soon as practicable.

**Current status:**

Fleet spreadsheets holding asset data have been discontinued.

---

<sup>5</sup> The 2018/19 capex budget includes 10 trucks at \$651,881 (cab and chassis) with \$663,350 (for bespoke body build fit outs) totalling \$1.3m.

Business process development underway to maximise the use of IPS for the management of fleet data.

2. A **physical stocktake** of fleet assets (vehicles and equipment) should be undertaken to verify data in Tables 1 and 2 above – and thereafter annually in conjunction with the external audit.

**Current status:**

Stocktake to be scheduled for 2019/20.

3. **Training** should be provided to the Fleet team on how to enter, export, update and generate reports in IPS – including IS support where data fields need to be added/ amended/re-designed<sup>6</sup> – and training in processing documentation in Content Manager ('offers to purchase', specifications changes etc.,)

**Current status:**

Business process development underway to maximise the use of IPS for the management of fleet data.

4. A **business case template** should be used for *all* future fleet asset purchases
  - renewals – a one page mini-business case (template to be designed)
  - growth assets – a full business case setting out: why the asset is being replaced, the options considered, (e.g. hire v buy), the plan for disposal etc – and authorisation by relevant managers (Business Unit, Facilities etc)

**Current status:**

A one-page mini-business case template is yet to be designed for renewals. Business case template implemented for growth assets.

5. The **Fleet Policy** be updated and signed off by 3LT by 30 September 2019.

**Current status:**

Policy review underway and is expected to be completed late September 2019.

6. **Standard Operating Procedures** be updated, agreed, flowcharted then entered in *ProMapp* and a *new* section added for Business Units to explain the process when a vehicle or equipment is being procured or disposed of.

**Current status:**

Business process development underway.

7. The Fleet Controller should **monitor FleetSmart** reports (e.g. along the lines shown in Appendix 1).

**Current status:**

---

<sup>6</sup> such as: purchase price, date of purchase, supplier data, service history, repairs history, condition of asset, estimated economic life, renewal date, depreciation, insurance data, invoices/costs, Service Level Agreement (SLAs) information business units, price on disposal, BV, FBT data, business case data etc.,

FleetSmart is used to optimise business processes, consider an audit on FleetSmart process.

8. The agreed actions should be **reviewed** once implemented.

Morva Kaye

## Appendix 1

## Comments on FleetSmart reports received for October 2018

FleetSmart Reports	Description	No	Audit Comments
Compliance Follow-up	Overdue WOF	12	<ul style="list-style-type: none"> <li>report is not dated</li> <li>driver emails being sent to people who left HCC some years ago</li> <li>2 mowers and 1 trailer (de-registered) should not be on the list</li> <li>WOF expired for 3 trailers in 2017 and 2006 for 1 tractor</li> <li>who reviews report and what follow-up action is taken?</li> </ul>
	Overdue service	21	<ul style="list-style-type: none"> <li>report is not dated</li> <li>2 notifications missing contact details</li> <li>who reviews report and what follow-up action is taken?</li> </ul>
	Missing contact details	56	<ul style="list-style-type: none"> <li>report is not dated</li> <li>duplications of fleet numbers and different driver names</li> <li>who reviews report and what follow-up action is taken?</li> </ul>
Accident Report	Claims	1	<ul style="list-style-type: none"> <li>report is not dated</li> <li>who reviews report and what follow-up action is taken?</li> </ul>
Monthly Fuel Breakdown	Fuel transactions for Oct 2018	430	<ul style="list-style-type: none"> <li>93 don't show odometer readings</li> <li>Is it usual to purchase \$52 oil for a truck</li> </ul>
Financial Key Insight	Non-Discount Oct 2018	14	<ul style="list-style-type: none"> <li>fuel purchased at Caltex (1,16.12 litres) cost \$2,162.59 and does not qualify for a discount</li> <li>approximately \$383 discount –opportunity cost of \$4,600 per annum</li> <li>who reviews report and what follow-up action is taken?</li> </ul>
	Incorrect Fuel Vehicle	-	
	Breakdown	-	
	Overfill	-	
	Weekend Fill	23	
	Multi-Fill	7	<ul style="list-style-type: none"> <li>7 fuel cards had multi fills on the same day in Hamilton in October 2018</li> <li>5 of the fuel cards are Wildcards</li> <li>2 of the fuel cards were for a mower and a City Safe vehicle</li> <li>who reviews report and what follow-up action is taken?</li> </ul>

FleetSmart Reports	Description	No	Audit Comments
Financial Key Insight	Incorrect odometer	51	<ul style="list-style-type: none"><li>• 51 vehicles recorded an incorrect odometer reading when buying fuel</li><li>• who reviews report and what follow-up action is taken?</li></ul>
	Utilization		<ul style="list-style-type: none"><li>• 115 vehicles</li><li>• kilometres travelled – litres/100km = cost/km</li><li>• information not useful if incorrect odometer reading is recorded</li></ul>
	CO2 CO2-E		<ul style="list-style-type: none"><li>• kgs CO2 and CO2-E by vehicle</li><li>• is this report being used?</li></ul>

# Council Report

**Committee:** Audit & Risk Committee

**Date:** 03 September 2019

**Author:** Tracey Musty

**Authoriser:** David Bryant

**Position:** Financial Controller

**Position:** General Manager Corporate

**Report Name:** Audit NZ Interim Management Report 2018/19

Item 12

Report Status	Open
---------------	------

## Purpose

1. To inform the Audit and Risk Committee on the Audit NZ Interim Management Report for 2018/19.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Attachments

Attachment 1 - Audit NZ HCC Interim Management Report 2019

# Report to the Council on the interim audit of

Hamilton City Council

For the year ended 30 June 2019

Contents

Key messages .....	3
1      Recommendations .....	4
2      Assessment of internal control .....	6
3      Matters identified during the audit .....	7
4      Other Matters .....	10
5      Useful publications.....	11
Appendix 1: Status of previous recommendations .....	13
Appendix 2: Disclosures .....	17

## Key messages

We have completed our interim audit for the year ended 30 June 2019. This report sets out our findings from the interim audit.

Our main focus for the interim audit visits during this year was to perform a high level review of the City Council's control environment and to evaluate the City Council's key internal control systems for financial and non-financial information. Overall we are satisfied that the control environment is effective and enables us to plan and undertake the most efficient and effective audit approach.

We also reviewed the revaluation of the City Council's water, wastewater, storm water and refuse assets. We draw your attention to our recommendations on areas for improvement as well as our previous year's recommendations in relation to assets.

### Thank you

We would like to thank management and staff for the assistance provided during the interim audits.



Clarence Susan  
Appointed Auditor  
9 July 2019

# 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Priority	Explanation
Urgent	<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.
Necessary	<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
The Council continues to improve the quality of the water and wastewater treatment plant asset data. This will reduce the risk that assets are valued on inaccurate assumptions, such as the remaining useful life of the assets.	3.1	Necessary
The SCADA equipment assets for the wastewater treatment plant and water treatment stations be depreciated. This ensures the depreciation expense is correctly recognised in the financial statements.	3.1	
The Council implements an online timesheet function for the processing of weekly timesheets. This will reduce the risk of timesheet information being entered incorrectly.	3.2	Necessary

Recommendation	Reference	Priority
The Council discusses mixed group reporting issues with Waikato Innovation Growth Limited group. This will ensure that any adjustments that arise on transition to the new for-profit standards that need to be reversed for PBE consolidation purposes are incorporated into the final group accounts.	3.3	Necessary
Policies relating to sensitive expenditure be improved to comply with good practice.	3.4	Beneficial

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority Interim audit	Priority			
	Urgent	Necessary	Beneficial	Total
Prior year matters still outstanding or in progress	-	3	-	3
Prior year matters to follow up during final audit	3	10	8	21
<b>Total open or outstanding matters</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>24</b>
Implemented or closed in this report	-	10	-	10

## 2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

### 2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Council, needs to establish and maintain a culture of honesty and ethical behaviour through the implementation of policies, procedures, and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

### 2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

The controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

### 3 Matters identified during the audit

#### 3.1 Water and wastewater treatment plants

During our review of revaluations for water and wastewater assets, we noted the following:

##### 3.1.1 Improve data for water and wastewater treatment plants

The Council received a recommendation from the AECOM revaluation report (in 2014) to improve the quality of the water and wastewater treatment plant asset data.

During our review of the valuation performed by BECA this year for the wastewater treatment plant and water treatment stations, it was identified that the wastewater treatment plant and water treatment stations were given a "C - Uncertain" rating for reliability of information.

##### 3.1.2 SCADA equipment not depreciated

From our review of the valuation performed by BECA for the SCADA equipment (a computer system for gathering and analysing real time data) for the wastewater treatment plant and water treatment stations, we have noted the assets are not currently being depreciated. We have been advised that this is because the SCADA equipment was added as a provisional item and was previously not separately classed. The assets should be depreciated as they will not last indefinitely and will need to be replaced within five years. The amount of depreciation per year would not be considered material to the financial statements.

#### Recommendations

We recommend that the Council continues to improve the quality of the water and wastewater treatment plants asset data. This will reduce the risk that assets are valued on inaccurate assumptions, such as the remaining useful life of the assets.

We also recommend that as the SCADA equipment assets for the wastewater treatment plant and water treatment stations do not have an indefinite life they be depreciated in line with the Council's accounting policy. This ensures the depreciation expense is correctly recognised in the financial statements.

#### Management comment

" "

" "

### 3.2 Manual processing of weekly timesheets

We have noted that the weekly timesheets are processed manually, which increases the risk of errors.

Currently all weekly timesheets are entered into the system by one payroll staff member and checked by the other staff member. This is an inefficient process and creates time pressures. There is a chance numbers are transposed accidentally resulting in over- or under-paying employees.

#### Recommendation

We recommend that the Council implements an online timesheet function for processing weekly timesheets. This will reduce the risk of timesheet information being entered incorrectly into the system and serve as an efficient way to process weekly pay runs.

Alternatively, the responsibility for capturing weekly timesheets could be delegated to an individual within the various departments, and the payroll staff members could then just perform a review of the captured information.

#### Management comment

### 3.3 Mixed group consolidation adjustments

The Waikato Innovation Growth Limited (WIGL) group is required to apply NZ IFRS 15 and NZ IFRS 9 in preparing its financial statements for the financial year ended 30 June 2019.

WIGL is consolidated into a public benefit entity (PBE) group. In submitting information to the parent for consolidation purposes, consolidation adjustments may be necessary due to the different for-profit and PBE accounting requirements for revenue and financial instruments for the current year. For 2020, leases will be added to the list.

Adjustments that arise on transition to the new for-profit standards will need to be assessed as to whether they need to be reversed for PBE consolidation purposes.

**Recommendation**

We recommend the Council discusses mixed group reporting issues with the WIGL group. This will ensure that any adjustments that arise on transition to the new for-profit standards that need to be reversed for PBE consolidation purposes are incorporated into the final group accounts.

**Management comment**

**3.4 Policy review improvements**

We reviewed the Council's policies and procedures covering travel, meals and accommodation, gifts, donations, use of the Council's assets, entertainment and hospitality of the Council, to determine whether they comply with good practice.

Overall the policies comply with good practice, but we have highlighted areas where the policies can be further improved:

- credit card policies should state that internet purchases using credit cards need to reflect good security practice;
- the Council should state in its policies that separate meal expenses may not be claimed if a meal is provided as part of another package paid for by the Council; and
- policies and procedures outlining the private use of a rental car should be limited to matters incidental to the business purpose.

**Recommendation**

We recommend that policies relating to credit cards, meal expenses and rental cars are updated to reflect good practice.

**Management comment**

## 4 Other Matters

### 4.1 Quality and timeliness of information provided for audit



Management is required to provide information for audit. We provided a listing of information we required to management on 1 April 2019. This included the dates we required the information to be provided to us.

In general the information provided to support the interim audits was of a good quality and was provided on time.

### 4.2 Group matters



The group comprises:

- Hamilton City Council (HCC);
- Waikato Innovation Growth Limited (Group);
- Vibrant Hamilton Trust; and
- Waikato Regional Airport Limited.

Adjustments that arise on transition to the new for-profit standards will need to be assessed as to whether they need to be reversed for PBE consolidation purposes (see 3.4 above).

## 5 Useful publications



Based on our knowledge of the Council, we have included links to some publications that the Council and management may find useful.

Description	Where to find it
<b>Client updates</b>	
<p>In March and April 2019, we hosted a series of client updates. The theme was “Our high performing and accountable public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p> <p>Relevant sessions for the Council include:</p> <ul style="list-style-type: none"> <li>• Client Substantiation File – Prepare for your audit;</li> <li>• Procurement and how it contributes to trust and confidence;</li> <li>• Audit and Risk Committees: How do we make them more effective; and</li> <li>• Using your Audit and Risk Committee Effectively – a chair’s perspective.</li> </ul>	<p>On our website under publications and resources/information updates.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Model Financial Statements</a></p>

Description	Where to find it
<b>Tax matters</b>	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under publications and resources. Link: <a href="#">Tax Matters</a>
<b>Data in the public sector</b>	
The Office of the Auditor-General (the OAG) has published a series of articles about how data is being used in the public sector. These cover: <ul style="list-style-type: none"> <li>• functional leadership;</li> <li>• building capability and capacity;</li> <li>• collaboration; and</li> <li>• security.</li> </ul>	On the OAG's website under publications. Link: <a href="#">Data in the public sector</a>
<b>Audit Committees</b>	
The OAG has released various best practice information on Audit Committees.	On the OAG's website under "Our Work – Audit Committee Resources" Link: <a href="#">Audit Committee Resources</a>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Treatment of found assets</b> <p>We recommend that the City Council reviews its processes regarding found assets to ensure that they are recognised and valued in a timely manner. In addition, we recommend that processes are put in place to determine how assets were originally “lost”. This will ensure that subsequent accounting treatment of found assets within revenue or revaluation is correct.</p>	2018	<b>2018 management comment:</b>  <b>2019 audit findings:</b> <p>We noted that as part of the revaluation process, there was found assets that had not been given a valuation ID and therefore missed from the valuation. The value of these assets are not considered material. However, this continue to highlight that the City Council needs to review its processes regarding found assets to ensure that they are recognised and valued in a timely manner.</p>
<b>No organisational business continuity plan or IT disaster recovery plan</b> <p>We recommend that the City Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans.</p>	2015	<b>2018 management’s comment:</b>

Recommendation	First raised	Status
<b>Necessary</b>		
		<p><b>2019 audit findings:</b></p> <p>A draft IT Disaster Recovery plan has been started, and discussions are being held across council to identify priorities for recovery in a disaster. The plan still needs further development and testing, alongside any testing of Council's organisational business continuity plan.</p>
<p><b>Management of Generic (shared) network login accounts</b></p> <p>We continue to recommend that the City Council regularly reviews generic network login accounts and ensures that these accounts are removed when no longer required by the business.</p>	2017	<p><b>2018 management's comment:</b></p> <p><b>2019 audit findings:</b></p> <p>An automated report has been developed to identify generic login accounts and a review and removal of unnecessary accounts is underway.</p>

**Implemented or closed recommendations**

Recommendation	First raised	Status
Independent review of journals – H3	2018	H3 have implemented an independent review of journals process.
High number of privileged user accounts on the networks	2017	A full review of privileged users has been done and any changes to privileged access are approved by management.
Adding and removing users from network and applications	2015	Procedures for adding and removing users have been improved. Users' access is now being removed from applications when they leave and contractors' access is being disabled when the contract ceases. Automated reviews of users who haven't logged in are being performed and access disabled as a fall back mechanism.
Adoption of legislative compliance policy	2016	The City Council adopted the revised policy in April 2019.
Review of legislative compliance responsibility	2016	
IT risk framework	2017	A Promapp process has been developed for reviewing and updating IT risks.  IT risks are being reviewed and updated in the IT risk register as well as part of monitoring of the Fujitsu managed services contract and as part of the Project management framework.
Review and update IT policies and develop policy awareness programme	2017	MPA IT/IS policies have now been formally adopted by the City Council
Reviews of users and their system access levels	2017	Automated reporting comparing access to the HR system has been developed to check users on the network and within applications are valid. Redundant users are being deleted.
Property, plant and equipment – quality of information (Three waters)	2014	As majority of this issue has been addressed, the issue has been closed and another issue has been raised to address the items in progress. Refer to Section 2.5 above.
Conflicts of interest policy	2017	An updated policy has been approved.

## To follow up

We intend to follow up on the status of these recommendations at our final audit visit:

Recommendation	First raised
Plant, property and equipment - monthly reconciliations	2015
H3 - Internal controls	2015
Attribute data recorded for historical land	2018
Lack of centralised register for leased Council properties	2018
Self-approval of purchasing card transactions	2018
Property, plant and equipment - work in progress	2014
Property, plant and equipment - timely capitalisation of vested assets	2015
Road and traffic network asset revaluations	2017
Assets missed from the revaluation	2017
Depreciation and amortisation rates	2017
Disposal of assets not recognised in a timely manner	2017
Lack of formalised impairment assessment processes	2017
Intangible assets classification	2017
Property, plant and equipment – stocktakes not performed	2017
Property, plant and equipment – completeness of information in IPS	2015
Journals not independently approved	2017
Capital expenditure for Groups of Activities	2017
Heritage asset classification	2017
Group revaluation timetable not consistent with parent	2017
Wastewater – median resolution time for sewerage overflows	2017
Operational, parks and gardens, restricted and infrastructural land valuations	2017

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised):</p> <p style="text-align: center;">issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the City Council or its subsidiaries.</p> <p>During the audit, two non-influential independence mitigations were managed. These have been reported to the Audit and Risk Committee.</p>
Fees	<p>The audit fee for the year is \$230,000, as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are aware of that the previous Audit Supervisor, Liz Tuck, has taken up a position of employment with the City Council. From the time she entered into a formal recruitment process with the City Council she was removed from all aspects of the audit.</p>

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

PO Box 256  
Waikato Mail Centre  
Hamilton 3240  
Phone: 04 496 3099

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)



# Council Report

**Committee:** Audit & Risk Committee **Date:** 03 September 2019  
**Author:** Mothla Majeed **Authoriser:** David Bryant  
**Position:** Legal Services Manager **Position:** General Manager Corporate  
**Report Name:** Updated Management Policies: Protected Disclosure and Fraud & Corruption

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To seek the Audit and Risk Committee's approval of proposed changes to the Protected Disclosure Policy and the Fraud and Corruption Policy (the **Policies**).
2. The changes are proposed in order to ensure consistency between the Policies and the Terms of Reference of the Audit and Risk Committee.

## Staff Recommendation

That the Audit and Risk Committee note the proposed changes to the Protected Disclosure Management Policy and the Fraud and Corruption Management Policy.

## Background

3. The Audit and Risk Committee's purpose includes monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
4. The Audit and Risk Committee's Terms of Reference include that the Chief Executive and Principal Advisor are responsible for drawing to the Committee's attention any material event of fraud or malpractice.
5. Hamilton City Council has a number of management policies, including the Policies.
6. **Protected Disclosure Policy**
7. The Protected Disclosure Policy was last updated in June 2017. It sets out procedures for employees to make protected disclosures, and for Hamilton City Council to receive and manage those disclosures, in a manner consistent with the Protected Disclosures Act.
8. However, the Protected Disclosure Policy does not contain any mechanism for protected disclosures to be reported to the Audit and Risk Committee.

## 9. **Fraud and Corruption Policy**

10. The Fraud and Corruption Policy was last updated in October 2018. It sets out Hamilton City Council's approach to be followed in respect of all allegations of fraud and/or corruption, in order to prevent such activities and ensure overall integrity and performance.
11. However, the Fraud and Corruption Policy does not contain any mechanism for material events of fraud or corruption to be reported to the Audit and Risk Committee.

## **Discussion**

### 12. **Protected Disclosures Policy**

13. Staff propose amending the Protected Disclosure Policy so that it requires reporting of protected disclosures to the Audit and Risk Committee.
14. Staff also consider it appropriate to take the opportunity to include a section on confidentiality in the Protected Disclosure Policy, so that the confidentiality requirements in the Protected Disclosures Act are easily accessible.
15. The proposed changes are marked up in **Attachment 1** to this Report.

### 16. **Fraud and Corruption Policy**

17. Staff propose amending the Fraud and Corruption Policy so that it requires reporting of material events of fraud and/or corruption to the Audit and Risk Committee.
18. The proposed changes are marked up in **Attachment 2** to this Report.

## **Financial Considerations**

19. There are no relevant financial considerations.

## **Legal and Policy Considerations**

20. Staff confirm that the proposed changes to the Protected Disclosure Policy and the Fraud and Corruption Policy comply with the Council's legal and policy requirements.

## **Wellbeing Considerations**

21. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
22. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below. The recommendations set out in this report are consistent with that purpose.
23. There are no known social, economic, environmental or cultural considerations associated with this matter.

## **Risks**

24. There are no known risks associated with the decisions required for this matter.

## **Significance & Engagement Policy**

### **Significance**

25. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

### **Engagement**

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

## **Attachments**

Attachment 1 - Management Policy - Protected Disclosure - marked up amendments

Attachment 2 - Management Policy - Fraud and Corruption - marked up amendments .

Date Reviewed	May 2017
Date Approved by 3LT	1 June 2017
Date Approved by SLT	6 June 2017
Document number:	D-2325932
Associated documents:	N/A
Sponsor/Group:	N/A

## Management Policy – Protected Disclosure

### Purpose

It is a fundamental term of every contract of employment that every employee must faithfully serve his or her employer and not disclose confidential information about the employer's affairs.

However if an employee discovers information which they believe shows serious wrong doing within the organisation, there should be established procedures which enable the employee to disclose such information without fear of reprisal.

### Purpose of the Protected Disclosures Act 2000

The stated purpose of the act is to promote the public interest by protecting employees who, in accordance with the procedures set out in the Act, disclose information about serious wrongdoing in or by an organisation.

The Act does not provide a blanket protection to employees, rather it requires the creation of a clear internal procedure within an organisation for the disclosure of specific types of information to specific categories of people.

### Principles of Policy

Hamilton City Council is committed to ensuring:

- A workplace free from matters of serious wrongdoing
- All staff understand what comprises matters of serious wrongdoing
- Appropriate internal procedures and support if an employee discovers matters of serious wrongdoing
- Employees are protected if they make a protected disclosure under the Protected Disclosures Act
- Procedural fairness in the internal procedures

### Scope

This policy applies to all employees of Hamilton City Council.

### Guidelines

The use of the protected disclosures process is seen as an act of last resort when staff are unable to get appropriate management action through the usual reporting mechanisms.

Any employee may make a disclosure of information involving a serious wrongdoing. This includes:

- Former employees
- A person seconded to Hamilton City Council
- An individual who is contracted under a contract of services to do work for Hamilton City Council; and
- A person concerned in the management of Hamilton City Council

### Disclosure: General Principles

If an employee wishes to make a protected disclosure, then the matter is to be reported to the designated officer(s) listed below.

The designated officer(s) will arrange an immediate investigation into the facts. If as a result of this investigation, they are satisfied that serious wrongdoing has occurred, then Hamilton City Council will take reasonable practical steps to prevent the recurrence of the serious wrongdoing complained about, without disadvantaging the employee. The organisation may refer the alleged serious wrongdoing to the appropriate external authorities.

#### To whom disclosures are made:

At Hamilton City Council, protected disclosures are to be made to any one of the following ~~Contact People~~ designated officers in the first instance:

- the Chief Executive
- the General Manager Corporate
- the People, Safety and Wellbeing Manager
- Mary Hill (External Contact) – Associate Cooney-Lees-Morgan
  - Contact details
    - Landline – 07 9270590
    - Mobile Phone - 021506803
    - Email – [mhill@dmlaw.co.nz](mailto:mhill@dmlaw.co.nz)

There are specific circumstances in which disclosure may be made outside Hamilton City Council i.e. where the employee believes on reasonable grounds that:

- The Chief Executive of Hamilton City Council is believed to be involved in the serious wrongdoing, or;
- There has been no action or recommended action on the matter within 20 working days after the disclosure was made.

Under these specific extraordinary or emergency circumstances, a Hamilton City Council employee may make a 'protected disclosure' to any one of the following authorities:

- The Commissioner of Police
- The Controller and Auditor-General
- The Director of the Serious Fraud Office
- The Inspector-General of Intelligence & Security
- An Ombudsman
- The Parliamentary Commissioner for the Environment
- The Police Complaints Authority

### Confidentiality

Every person to whom a protected disclosure is made must use their best endeavours not to disclose information that might identify the person making the disclosure unless:

- the person making the disclosure consents in writing to disclosure of identifying information;  
or
- the person receiving the disclosure reasonably believes that disclosure of identifying information:
  - is essential to the effective investigation of the allegations in the protected disclosure;
  - is essential to prevent serious risk to public health or public safety or the environment; or

- o is essential having regard to the principles of natural justice.

### Reporting to the Audit and Risk Committee

The General Manager Corporate shall report protected disclosures to the Chair of the Audit and Risk Committee as they arise.

At each Audit and Risk Committee, any protected disclosures made since the last meeting of the Committee shall be reported.

### Definitions

Definition	Detail
Serious wrongdoing	<p>Unlawful, corrupt, or irregular use of public funds or public resources; or</p> <p>An act, omission, or conduct that constitutes a serious risk to public health or public safety or the environment; or</p> <p>An act, omission, or conduct that constitutes a serious risk to the maintenance of law, including the prevention, investigation, and detection of offences and the right to a fair trial; or</p> <p>An act, omission, or conduct that constitutes an offence; or</p> <p>An act, omission, or conduct by a public official that is oppressive, improperly discriminatory, or grossly negligent, or that constitutes gross mismanagement, whether the wrongdoing occurs before or after the commencement of the Protected Disclosures Act.</p>

It should be noted that the Protected Disclosures Act does not authorise disclosure of information protected by legal professional privilege.

The requirements of reasonable belief of the truth of the allegation and a genuine motivation on the part of the employee preclude the Protected Disclosures Act being used to protect employees from malicious or trivial accusations.

### References

- Protected Disclosures Act 2000
- Human Rights Act 1993
- Employment Relations Act 2000
- Ombudsman [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz)

Date Approved by BSLT:	30 <sup>th</sup> October 2018
Next review date:	30 <sup>th</sup> October 2021
Document number:	D-2801678
Associated documents:	Fraud Procedures Standard Operating Procedure Protected Disclosures Policy (D-2325932) Anti-bribery and Corruption LMS Module 1 Conflict of Interest LMS Module 2
Sponsor/Group:	Corporate
Policy Owner:	GM Corporate

## Management Policy – Fraud and Corruption Management Policy

### 1.0 Purpose

1. The purpose of this policy is to prevent fraud and/or corruption and ensure the overall integrity and performance of Council. This policy provides a consistent and transparent approach to all allegations of fraud and/or corruption.
2. All employees and representatives of Hamilton City Council must have, and be seen to have, the highest standards of honesty and integrity in discharging their obligations to the community.

### 2.0 Principles of Policy

1. The guiding principles for this Policy are:
  - a. All employees and representatives of Hamilton City Council must have, and be seen to have, the highest standards of honesty and integrity in discharging their obligations to the community.
  - b. Hamilton City Council does not tolerate fraudulent or corrupt behaviour in any form.
  - c. All suspected instances of fraud or corruption involving Council employees, representatives or external parties will be investigated by the GM Corporate and may be reported to the appropriate authorities.

### 3.0 Scope

1. This Policy applies to Hamilton City Council employees, representatives, vendors, contractors or consultants and includes outside agencies or entities doing business with or maintaining a business relationship with Hamilton City Council.
2. This policy should be read in alignment with the Council's Protected Disclosures Policy and Conflict of Interest Policy.
3. This Policy does not apply to:
  - a. Minor fraud perpetrated by the public against Hamilton City Council e.g. providing wrong or incorrect information on permit or licence applications.
  - b. Performance management issues that should be resolved by a manager and/or the People Safety and Wellness team.
  - c. Councillors who are subject to provisions within the Local Authorities Act 1968 (Members Interests), the Local Government Act 2002 and Council's Code of Conduct for Elected Representatives.

## 4.1 Definitions

Definition	Detail
Fraud	<p>The term 'Fraud' refers to the deliberate practice of deception to receive unfair, unjustified or unlawful gain. For the purposes of the policy this includes all forms of dishonesty. Within this definition, examples of fraud and dishonesty may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Knowingly providing false, incomplete or misleading information to Council for unfair, unjustified or unlawful gain;</li> <li>• Unauthorised possession, use or misappropriation of funds or assets, whether Councils or a third party's;</li> <li>• Deliberate mishandling of, or misreporting of, money or financial transactions;</li> <li>• Unauthorised access and misuse of Council's systems and information for unfair, unjustified or unlawful gain;</li> <li>• Misuse of, or obtaining insider knowledge of, organisational or judicial activities without implied or expressed consent (this may also be considered corruption);</li> <li>• Destruction, removal, or inappropriate use of records, furniture, fixtures, or equipment for unfair, unjustified or unlawful gain;</li> <li>• Deliberate misuse of Council resources (including work time, internet, cell phones, photocopiers, fax machines, computers, vehicles, mail services, Council addresses and phone numbers) for unfair, unjustified or unlawful gain;</li> <li>• Forgery or alteration of any financial instrument;</li> <li>• Forgery or alteration of any document or computer file or record belonging to the Council;</li> <li>• Where any person who has a business involvement with the Council acts dishonestly or unfairly, or breaches public trust.</li> </ul>
Corruption	<p>The term 'Corruption' is the lack of integrity or honesty (especially susceptibility to bribery) or the use of a position of trust for dishonest gain. It includes foreign and domestic bribery, coercion, destruction, removal or inappropriate use or disclosure of records, data, materials, intellectual property or assets, or any similar or related inappropriate conduct. Examples of corrupt conduct include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Any person who has a business involvement with Council, improperly using, or trying to improperly use, the knowledge, power or resources of their position for personal gain or the advantage of others, e.g. use of business travel requirement to satisfy personal situations;</li> <li>• Knowingly providing, assisting or validating in providing false, misleading, incomplete or fictitious information to circumvent Council procurement processes and procedures to avoid further scrutiny or reporting;</li> <li>• Disclosing private, confidential or proprietary information to outside parties without implied or expressed consent;</li> <li>• Accepting or seeking anything of material value from contractors, vendors, or persons providing services or materials to Council (also refer to the Council's Gifts and Hospitality Policy);</li> <li>• A member of the public influencing or trying to influence, a public official, employee, contractor, person seconded to, or any other party that has a business involvement with the Council to use his or her position in a way that is dishonest, biased or breaches public trust.</li> </ul>
Council	For the purposes of this policy, a representative of Hamilton City Council

Representative	includes: <ul style="list-style-type: none"> <li>• Employee</li> <li>• Any contractor or consultant who has been contractually obligated for the contract period by Council.</li> <li>• Temporary personnel provided through an agency.</li> <li>• Seconded personnel to Council.</li> <li>• Volunteers.</li> </ul>
----------------	---

## 5.0 Guidelines

1. Any person who suspects that a fraudulent or corrupt act, regardless of the level, has occurred must report this immediately to their business unit manager or Risk Manager and the GM Corporate and / or Chief Executive.
2. An investigation is initiated to determine if there is an actual, perceived or potential fraud or corruption event involving an employee, representative or external party to Hamilton City Council.
3. All information received about an actual, perceived or potential fraud or corruption is to be treated as confidential and managed under the Protected Disclosures Act 2000 and Council's Protected Disclosure Policy.
4. ~~4.~~ All information established or collated is to be documented by the Risk Manager and retained securely in accordance with evidential requirements. (CM Folder 05-13-03-08). All reportable fraud activities are to be recorded in the Fraud Activity Register (D-2799493) for auditing purposes.
- 4.5. All material (i.e. actual) events of fraud and corruption are to be reported to the Chair of the Audit and Risk Committee and Chief Executive once established. The GM Corporate will liaise with the Chair of the Audit and Risk Committee to develop an appropriate response plan, which may include notifying internal/external auditors.

## 6.0 Investigations

1. Fraud and/or corruption investigations are to be directed by the GM Corporate and / or the Chief Executive who may request internal or external resources where required.
2. Investigations will be completed in such a way as to ensure a fair and reasonable process is conducted in accordance with the Employment Relations Act 2000, Evidence Act 2006 and related legislation and/or Council Policies.
3. Consequences and outcomes of a fraud or corruption investigation, that have or have not been substantiated, will be presented to the GM Corporate and / or the Chief Executive to make an informed decision on reporting to the appropriate authorities.
4. If an allegation of fraud and/or corruption is against the Chief Executive the matter must be reported to the Mayor.
5. If Elected Members are involved in an allegation of fraud and/or corruption, the matter must be reported to the Chief Executive.
6. If an allegation of fraud and/or corruption is raised it will be managed in accordance with the Protected Disclosures Act 2000.
7. Where Council have experienced a financial loss, recovery processes of such loss will be pursued wherever possible or practicable.

## 7.0 Media

1. All information relating to a fraud or corruption investigation will not be disclosed without the

Page 3 of 5

## 8.0 Roles and Responsibilities

<u>Audit and Risk Committee</u>	<u>The Audit and Risk Committee is responsible for monitoring the effectiveness of this policy, and for receiving reports of material events of fraud and corruption.</u>
Chief Executive	The Chief Executive has overall responsibility and accountability for preventing fraud and corruption within Council.
GM Corporate	GM Corporate shall be responsible for managing fraud or corruption investigations with internal and external resources where required. GM Corporate shall delegate responsibilities and direction to internal or external resources.
General Managers	General Managers are responsible for fostering effective financial management controls, processes, training and awareness of fraud and corruption within their areas of responsibility, and reporting fraud or corruption events to the GM Corporate and Chief Executive.
Managers	<p>Managers are also responsible for ensuring that a culture of honesty and openness exists in their work place such that employees are not discouraged from questioning events or processes and reporting suspected fraud or corruption.</p> <p>Managers are responsible for:</p> <ul style="list-style-type: none"> <li>• Ensuring all employees and contractors are aware of the Fraud and Corruption Policy and that they maintain an understanding of their obligations;</li> <li>• Ensuring all persons who have dealings with the Council, captured by the definitions included in this policy, are aware of the Fraud and Corruption Policy and that they maintain an understand of their obligations;</li> <li>• Identifying the risks (including but not limited to risk of fraud or corruption) to which the Council's systems, operations and procedures are exposed;</li> <li>• Developing and maintaining effective controls to prevent and detect Council related fraud and corruption, within business as usual and/or programmes or projects of work;</li> <li>• Ensuring that controls and processes in place are actively complied with;</li> <li>• Facilitating an effective fraud and corruption awareness and detection culture;</li> <li>• Ensuring employees are supported when making allegations of fraud or corruption to the GM Corporate.</li> </ul>
Employees	<p>All employees, including managers, are responsible for:</p> <ul style="list-style-type: none"> <li>• Being aware of, and complying with, this Policy;</li> <li>• Acting honestly, fairly and with integrity in undertaking Council tasks and activities;</li> <li>• Acting in a manner that is beyond reproach;</li> <li>• Being aware of, and complying with, their obligations under the Council's Code of Conduct;</li> <li>• Reporting any suspected fraudulent or corrupt behaviour;</li> <li>• Reporting fraud or corruption control failures or breaches as soon as they become aware of them;</li> <li>• Reporting any incident where they suspect any person or employee is aiding and abetting some other person to defraud Council.</li> </ul>

## 8.0 Roles and Responsibilities

Council Representatives, contractors, consultants or volunteers	All representatives, contractors, consultants and/or volunteers shall adhere to the requirements of this policy.
---	--

# Council Report

Item 14

**Committee:** Audit & Risk Committee **Date:** 03 September 2019  
**Author:** David Bryant **Authoriser:** David Bryant  
**Position:** General Manager Corporate **Position:** General Manager Corporate  
**Report Name:** Audit & Risk Committee Self Review

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. The purpose of this report is to present the Audit & Risk Committee Self Review completed by Keiran Horne, Chair of the Audit & Risk Committee.

## Staff Recommendation

That the Audit & Risk Committee receives the report.

## Attachments

Attachment 1 - Audit & Risk Committee Self Review - Keiran Horne

**Committee:** Audit and Risk Committee

**Date:** 10 August 2019

**Author:** Keiran Horne

### Meetings

1. The Audit and Risk Committee have met on the following dates:
  - 27 November 2018
  - 4 March 2019
  - 16 May 2019
2. The Audit and Risk Committee will meet again on 3 September 2019
3. The Committee also held the following informal workshops:
  - 27 November 2018 – to provide an in-depth health and safety presentation.
  - 4 and 5 March 2019 – to review Council’s risk management methodology and assess the top strategic risks.
  - 16 May 2019 – a deep dive into Council’s top strategic and organisational risks.
4. A further informal workshop is planned for 3 September 2019 to review the 2018/19 Annual Report which includes the annual financial statements and performance reporting.

### Chair’s Activities

5. The Chair held additional meetings with the internal auditors, PwC to discuss progress with current internal audit projects and to set the internal audit work plan for the next three years. Oversight and monitoring of Council’s own internal audit staff member and her work plan were also discussed throughout the year.
6. Project Kookiri has progressed over the last year. The Chair has received fortnightly updates and regular email reports from PwC on this project.
7. Throughout the year the Chair has been advised of any potential frauds, protected disclosures or significant claims against Council. Any resulting investigations have been monitored. The Chair provided an annual fraud questionnaire to the external auditors. Council’s Protected Disclosure and Fraud & Corruption management policies have been updated to include reporting responsibilities to the Audit and Risk Committee. These will be presented to the committee for approval on 3 September 2019.
8. Considerable time was spent by the Chair planning the risk workshops and liaising with staff to ensure that the Risk Register and reporting was updated accordingly.
9. The Chair liaised with the staff to review the committee agenda and the reports schedule in order to facilitate a strategic focus to Committee discussions.
10. The following meetings were attended throughout the year by the Chair either in person or by teleconference:
  - Fortnightly “catch-up” telephone meetings, and ad hoc correspondence, with General Manager Corporate.
  - Meetings with the Chief Executive prior to each Audit and Risk Committee meeting, as well as ad hoc correspondence.
  - Telephone conversations with Audit and Risk Committee members as matters arose.
  - Agenda planning meetings with staff.
  - Civil defence facility visit.

11. Many of these tasks and meetings were also attended by the second independent Audit and Risk Committee member.
12. The Chief Executive expenses have been reviewed by the Chair on a six-monthly basis.
13. The Chair has also monitored media, noting any issues that may be relevant to this Committee.

## Annual Reporting Process

14. The Committee oversaw the engagement of the external auditors and the completion of the annual financial statements and made recommendations to Council where required.
15. The Committee reviewed accounting policies, material estimates and asset impairment where appropriate and reviewed the interim and annual external auditor management report.

## Risk Management

16. The Committee monitored the key organisational risks and recommended action where required. As part of this, the Committee focused on continuous improvement. The top strategic risks were reassessed and then fully reviewed by SLT. Reporting at all levels within Council was considered to ensure that effective risk management may be more fully integrated throughout the organisation. Risk policies and procedures were reviewed and updated for recommendation to Council.

## Organisational Improvement

17. The Committee received reports from external parties which included recommendations for improvement, including:
  - Audit New Zealand – Annual Audit and Controls
  - PwC – Internal Audit
  - Fitch Credit Report
18. Progress with significant recommendations was monitored by HCC's internal IA resource and reported to the Committee. During the year the reporting process was improved and re-focused so that the Committee could direct its attention to strategic issues and trends associated with these recommendations.

## Other Work

19. The Committee received internal reports including:
  - Health and Safety
  - Insurance
  - Internal Audit
  - Cyber risks
  - Emerging legal risks
  - Chief Executive strategic issues report
20. The Internal Audit Charter was also reviewed.

## New Independent Committee Member

21. Bruce Robertson was appointed during the year as the second independent member on the Committee, replacing Paul Connell. Bruce has significant Local Government experience and has provided valuable insight and guidance to the Committee.

## Closing

22. I would like to thank Councillors and management for their support, engagement and hard work this year. I would like to particularly mention their commitment to the risk workshops which focused on strategic risks which ultimately can impact Council's ability to deliver its key Community Outcomes.
23. On a personal note, I would also like to sincerely thank Council for their support during what has been a difficult year for me personally.

**Attachment 1**

**Item 14**

## Resolution to Exclude the Public

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

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of Audit and Risk Committee Minutes - Public Excluded - 16 May 2019	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Update on Protected Disclosures	)	
C3. Update on any Material Instances of Fraud or Corruption		
C4. Cyber Risks/Issues - Verbal Report		
C5. Verbal Update on any Legal Issues and/or Risks		
C6. Update on the Tax Compliance Review		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect information which is subject to an obligation of confidence and disclosure would likely prejudice continual supply of similar information where it is in the public interest for that information to continue to be available	Section 7 (2) (c) (i) Section 7 (2) (c) (ii)
Item C3.	to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest	
	to protect information which is subject to an obligation of confidence and disclosure would	Section 7 (2) (c) (i) Section 7 (2) (c) (ii)

likely prejudice continual supply of similar information where it is in the public interest for that information to continue to be available to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest

- |          |  |                   |
|----------|--|-------------------|
| Item C4. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C5. | to maintain legal professional privilege   | Section 7 (2) (g) |
| Item C6. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |