

## Notice of Meeting:

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

**Date:** Tuesday 13 June 2017  
**Time:** 9.30am  
**Meeting Room:** Committee Room One  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

---

## Audit & Risk Committee OPEN AGENDA

---

### Membership

**Chairperson:** External appointee - Paul Connell

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

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

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

---

Lee-Ann Jordan  
Governance Manager

**7 June 2017**

Telephone: 07 838 6727  
lee-ann.jordan@hcc.govt.nz  
www.hamilton.govt.nz

## **Purpose:**

The Audit and Risk Committee is responsible for:

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

<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.
7. Assess whether Internal Audit's recommendations have been properly implemented by management.
8. Review the annual Internal Audit Plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

### *Other Matters*

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

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

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

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

### **Special Notes:**

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

### **Oversight of Policies:**

- *Risk Management Policy*

- 1.

<b>ITEM</b>	<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
1	Apologies	5
2	Confirmation of Agenda	5
3	Conflict of Interest	5
4	Public Forum	5
5	Audit and Risk Minutes - 14 March 2017	6
6	Audit and Risk Committee Draft 2017 Schedule of Reports	15
7	Organisational Improvement Register Report	19
8	Risk Management Report	27
9	Health and Safety Report	49
10	Audit NZ Engagement and Arrangements Letter June 2017	56
11	Audit NZ proposal to conduct audits for the 2017, 2018 and 2019 Financial Years	86
12	Resolution to Exclude the Public	96

**1 Apologies**

**2 Confirmation of Agenda**

The Committee to confirm the agenda.

**3 Declaration of Interest**

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

**4 Public Forum**

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

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

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

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

**Committee:** Audit & Risk Committee

**Date:** 13 June 2017

**Report Name:** Audit and Risk Minutes - 14  
March 2017

**Author:** Amy Viggers

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

## Recommendation

That the Committee confirm the Open Minutes of the Audit and Risk Meeting held on 14 March 2017 as a true and correct record.

### 1. Attachments

2. Attachment 1 - Audit and Risk Minutes - 14 March 2017

---

## Audit & Risk Committee

### OPEN MINUTES

---

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Tuesday 14 March 2017 at 9.30am.

#### PRESENT

<b>Chairperson:</b>	External appointee - Paul Connell
<b>Membership:</b>	Mayor Andrew King Cr Garry Mallett Cr Dave Macpherson Cr Paula Southgate Cr Rob Pascoe
<b>In Attendance:</b>	Cr Siggie Henry Chief Executive – Richard Briggs General Manager Corporate – David Bryant General Manager Community - Lance Vervoort General Manager H3 and Events – Sean Murray Executive Director Special Projects – Blair Bowcott Financial Controller – Tracey Musty Risk and Insurance Manager – Andre Chatfield Business Manager – Eeva-Liisa Wright Health and Safety Manager - Tracey Stevenson Health and Safety Advisor - Karin Barclay  AON New Zealand Senior Executive Director - Sam Ketley AON New Zealand Insurance Broker - Matthew Wilson PwC Partner - Stuart Henderson PwC Partner – Andrew Holmes PwC Associate Director – Alex Wondergem PwC Director Risk Assurance – Emma Jones Audit New Zealand Director – Leon Pieterse Audit New Zealand Manager – Jared Williams
<b>Governance Advisors:</b>	Governance Manager - Lee-Ann Jordan Committee Advisor – Ian Loiterton

---

**1. Apologies**

The Chair noted an apology from Tony Steele and welcomed everyone to the meeting.

**2. Confirmation of Agenda**

**Resolved:** (Crs Mallett/Macpherson)

The Committee to confirm the agenda, noting the following:

- The Chief Executive (CE) would cover emerging risks as part of *Item 6: Risk Management Audit*; and
- The order of the agenda would be changed as appropriate to accommodate external visitors.

**3. Declarations of Interest**

No members of the Council declared a Conflict of Interest.

**4. Public Forum**

No members of the public requested to speak at the Public Forum.

*Item 11: Annual Report 2017 Planning Update was considered next to accommodate external visitors from Audit New Zealand.*

**11. Annual Report 2017 Planning Update**

The Financial Controller spoke to report, noting a two page supplementary document had been circulated to Elected Members and made publicly available prior to the meeting.

The Financial Controller stated:

- the report detailed the timetable for the audit and Audit New Zealand's schedule of site visits to complete interim and final audits;
- following a workshop to consider the draft Annual Report, the report would be presented to the Audit and Risk Committee on 29 August 2017, and subsequently to Council for approval on 21 September 2017; and
- draft financial results had already been reported to the Finance Committee.

The Chair stated that the focus of the Audit and Risk Committee was to ensure the Annual Report complied with financial accounting standards, and to make recommendations to Council for approval.

The Audit New Zealand Director spoke to Attachment 1: *Audit Planning for the year ending 30 June 2017*. He noted that any identified risks would be discussed with Council management, and that the main focus of the audit would be:

- fair value assessments and revaluation of property, plant and equipment;
- capitalisation of work-in-progress and vested assets; and
- impact of growth on service delivery and infrastructure.

The Audit New Zealand Director, Chair, and CE responded to questions from Elected Members concerning:

- the scope, logistical arrangements, and timetable for the Audit Plan and the identified areas of risk.
- the role of Audit New Zealand (Audit NZ) (which was to ensure transparency and accuracy of Council's reporting).
- Auditing treatment and disclosure of any material risks arising from Council's Housing Infrastructure Fund (HIF) application.
- accounting treatment of depreciation, the relationship of depreciation to the replacement cost of assets, and treatment in the Council's Annual Report.
- accounting treatment of the life of assets and the revaluation processes for assets.
- Rates, noting advice was not provided by Audit NZ regarding Council's rate policy, rates income and expenditure on Council's balance sheets is checked.
- Audit NZ responsibilities as auditor and their costs for performing this function.

Actions

- *Governance Manager to remind Elected Members that they are welcome to attend meetings of the Audit and Risk Committee, in particular the meeting scheduled for 29 August 2017 at which the Annual Plan will be considered.*
- *Audit New Zealand staff to support the presentation of the Annual Plan by attending the meeting of Council on 21 September 2017.*

**Resolved:** (Mr Connell/Cr Macpherson)  
That the Audit and Risk Committee receive the report.

*Item 12: 2016 Final Audit New Zealand Management Report was considered next to accommodate external visitors from Audit New Zealand.*

## **12. 2016 Final Audit New Zealand Management Report**

The Audit New Zealand Director and Financial Controller presented the report and responded to questions from Committee Members concerning:

- The implementation of Audit New Zealand's recommendations and Audit New Zealand sign-off of Council's Organisational Improvement Plan.
- The Electronic Work-order System project which was in the final stages of testing and would be delivered within budget.
- Overpayment of a redundancy payment and controls that had been since implemented to ensure this would not occur again.
- Accounting treatment of the sale of pensioner housing.

**Resolved:** (Crs Mallett/Macpherson)

That the Audit and Risk Committee receives the Final Audit New Zealand Management Report for the year ended June 2016.

***The meeting adjourned (10.48am – 10.58am).***

*Item 7: Insurance Report 2016/17 was considered next to accommodate external visitors from AON New Zealand.*

## 5. Insurance Report 2016/17

The Risk and Insurance Manager spoke to the report and introduced Senior Executive Director - Sam Ketley and Insurance Broker - Matthew Wilson from AON New Zealand. They provided an overview of Council's insurance arrangements and responded to questions from Committee Members concerning:

- Asset value, insured value and Council and central governments respective responsibilities under legislation
- The insurance risk profile for local government and for the Waikato region
- The visit to London by a Local Authority Shared Services representative and Aon
- The reasons for the resulting savings for councils in Infrastructure and Material Damage Insurance
- The role of asset management in improved insurance provisions
- Business interruption insurance
- Health and Safety insurance - which would not cover the costs of fines and penalties, but would include legal defense costs. A recommendation to increase Council's Health and Safety insurance cover had been adopted.
- Fire services levy and suggestions that levies may be increased by around 40%.

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

That the Audit and Risk Committee receive the report.

*Item 9: Management of Swaps and Debt was considered next to accommodate external visitors from PwC.*

## 9. Management of swaps and debt

The Financial Controller stated the report was prepared at the request of Council at a meeting on 30 June 2016. She introduced PwC Partner - Stuart Henderson and PwC Associate Director – Alex Wondergem.

The Financial Controller, PwC Partner and PwC Associate Director outlined Council's approach to the management of swaps and debts and responded to questions from Elected Members concerning:

- Factors which impacted swaps such as Hamilton City Council's credit rating, interest rate liability, and the value of Council's debt.
- Hamilton City Council use of swaps which was subject to ongoing review, as Council's debt profile was constantly changing due to such factors as delays in key projects.
- Reporting and benchmarking.
- Future outlook for swaps, noting that swaps strategies would be assessed against market trends and risks at time of renewals.
- 10 Year Plan, noting a review of treasury policy was required as part of Council's 10-year Plan process.

**Resolved:** (Mayor King/ Cr Southgate)

That the Audit and Risk Committee receives the report.

*Item 10: Fitch Credit Rating was considered next to accommodate external visitors from PwC.*

## 10. Fitch Credit Rating

The Financial Controller spoke to the report and stated that the Fitch credit rating review considered such factors as Council's financial management and management of growth.

The Financial Controller and PwC Partner - Stuart Henderson responded to questions from Committee Members concerning:

- Council's credit rating and what this meant for Council's approach to debt management.
- Use of swaps to manage interest.
- Key rating drivers, the potential implications of debt to revenue ratios over the current LGFA limit, and the potential risks for a credit downgrade under different scenarios.
- How credit ratings were derived by Fitch.
- The costs and implications of alternative avenues of borrowing, e.g. bonds.
- Growth councils and the implications for the local government sector if debt to revenue ratios exceed 250%.

**Resolved:** (Crs Southgate/Pascoe)

That the Audit and Risk Committee receives the report.

### ***The Meeting adjourned (12.58pm – 1.47pm)***

*Item 6: Risk Fitch Credit Rating was considered next to accommodate external visitors from PwC and Audit New Zealand.*

## 6. Risk Management Report

The Chair stated that the report would be followed by a discussion of emerging risks, led by the C.E.

The Risk and Insurance Manager spoke to the report and noted the levels of risk within Council's risk management framework: Material Risk; Business Unit Level Risk; and Project Risk. The main focus for the Risk Unit was Council's controls and mitigation strategies. Any issues were reported to Council's Senior Leadership Team (SLT) to manage. Material Risks were reported to Audit and Risk.

The Risk and Insurance Manager responded to questions from Committee Members concerning:

- Risks and mitigations of a Cyber Attack.
- The arguments for and against the reputation of Hamilton being a material risk.
- The process of determining the material risk and assigning risk rankings.
- The definitions of inherent and residual risk ratings.
- The upcoming workshop with Elected Members to review the material risks.

The CE talked to three emerging risks that would require further analysis. These were:

1. Pressure on Council's financial strategy and the need for it to be reviewed as part of the 10-year Plan process. PwC had been engaged to test Council's assumptions, provide greater analysis, and to undertake financial modelling of different scenarios that were available to Council.
2. The risk of not funding growth, noting a range of compliance areas that related to planning for growth, including the Housing Infrastructure Fund (HIF) and National Policy Statement.
3. Hamilton Properties Limited - a revised timeline had been approved by Council at its 9 March 2017 meeting. There were potential risks associated with how the Endowment Fund could be used and managed and legal advice was being sought.

The Chair, CE, and Audit New Zealand Director responded to a number of questions from Elected Members relating to the perceived opportunity for an independent forensic audit of Council's finances. It was noted this would not add value or information over and above that already provided by Audit New Zealand and internal audits. However there may be some value in obtaining independent input into Council's future financial strategy and associated measures of performance, which was the piece of work commissioned from PwC.

#### Actions

- Staff to revisit the risk framework prior to risk workshops later in the year.
- Information on the LGA 'We care' campaign, including the underlying research to that initiative, to be provided to Cr Southgate.
- Future reports to include a footnote at the bottom of each page for each \* symbol.
- Staff to provide information to Elected Members to enable comparison of growth scenarios; for example, urban infill, developments that are almost ready to go to market, and big picture developments.

**Resolved:** (Crs Southgate/Pascoe)

That Audit and Risk Committee receives the report.

*Cr Macpherson left the meeting during Item 6: Risk Management Report and was not present for voting on the matter.*

## 5. Organisational Improvement Report

The Chair introduced the report, noting its purpose was monitor the implementation of PwC audit recommendations. The Financial Controller responded to questions on behalf of the Risk Manager who was unable to attend the meeting concerning the *Organisational Improvement Programme Register - Database (Open Items)*:

- The status of items, noting all actions were listed on the report until formal sign-off was approved by PwC.
- Item 106 which despite being listed as being 'on hold' had been completed.
- Item 334 relating to Hamilton Properties Ltd and some domain properties.
- Item 199 relating to the Project Management Framework and project governance.
- Items 315 and 338 which were completed and waiting PwC sign-off.
- Item 329 relating to disaster recovery plans.

The GM Community responded to questions from Committee Members concerning the *Zoo Action Plan – Priority*:

- Item 2C, the delay to the installation of safety porches for all vehicle access gates into the chimpanzee enclosure (to take account of the birth of a baby chimpanzee).
- Items 72 and 72A, the recommendation to deny tiger access to both inside and outside enclosures at the same time which had not been implemented due to animal welfare issues. Instead, an engineered solution was in place, whereby an interlocking gate system ensured staff were isolated from tigers. This action was also supported by improved recruitment and training of staff.

#### Action

*Staff to update the Organisational Improvement Programme Register : Database to note items as being 'completed – awaiting PwC sign-off'.*

**Resolved:** (Crs Southgate/Pascoe)

That the Audit and Risk Committee receives the report.

## 6. Health and Safety Report

The Health and Safety Manager spoke to the report, noting that the report summarised Council's health and safety performance of which SLT maintained regular oversight. This was intended to be a quarterly report to the Audit and Risk Committee, supported by a detailed annual report. She outlined the legislative responsibilities of Elected Members in their governance role, in relation to health and safety matters. The Health and Safety Manager responded to questions from Committee Members concerning:

- Contractors and subcontractors and compliance with legislative requirements, including prequalification of contractors and site inductions.
- New Health and Safety Legislation and updates to the Health and Safety system to improve Council's compliance; the new system was expected to be ready for implementation in approximately one month's time.
- ACC as Council will not continue to receive subsidies upon termination of ACC's *Workplace Safety Management Practices* programme.
- High risk work areas, noting the Health and Safety Unit was working with relevant business units to address issues identified through an external audit process.

### Action

*Staff to increase Elected Member awareness of their Health and Safety responsibilities under legislation as 'officers' of Council.*

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

That the Audit and Risk Committee receive the report.

## 7. Audit and Risk Committee Self Review

The Chair introduced the report and declared a conflict of interest as the Chair of IANZ.

The CE responded to questions from Committee Members concerning the IANZ Building Consents Accreditation process, which had gone well. One recommendation was made regarding the issue of attracting qualified staff.

**Resolved:** (Cr Pascoe/Mayor King)

That the Audit and Risk Committee receive the report.

## 8. Resolution to Exclude the Public

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

### **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. PwC - Internal Audit Status Report	) Good reason to withhold ) information exists under ) Section 7 Local Government ) Official Information and ) Meetings Act 1987 )	Section 48(1)(a)

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

Item C1. to enable Council to carry out commercial activities without disadvantage Section 7 (2) (h)

***The Meeting went into a Public Excluded session at 3.55pm.***

***The Meeting was declared closed at 4.23pm.***

**Committee:** Audit & Risk Committee

**Date:** 13 June 2017

**Report Name:** Audit and Risk Committee  
Draft 2017 Schedule of  
Reports

**Author:** Lee-Ann Jordan

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

## 1. Purpose of the Report

- To present the draft 2017 Schedule of Reports for the Audit and Risk Committee.

## Recommendation from Management

That the Audit and Risk Committee receives the draft 2017 Schedule of Reports.

## 3. Attachments

- Attachment 1 - Audit and Risk Committee Draft 2017 Schedule of Reports

## 5. Key Issues

- Background
- Schedules of reports for the 2017 calendar year have been developed for Council and the whole of Council Committees (Growth and Infrastructure, Community and Services, and Finance).
- A draft schedule has also been prepared for the Audit and Risk Committee (Attachment 1).
- The purpose of the schedules is to provide Elected Members with oversight of the planned and upcoming activities for which they are responsible as members of those committees. The schedules set out the key reports and pieces of work assigned to each committee as well as the intended meeting dates where these will be presented.
- The schedule will be updated when new items arise or when timing or circumstances change. Committee Members will be advised of any and all changes to the schedules.
- The Governance Unit and the Principal Advisors are responsible for the development and maintenance of the schedule.
- The report schedule will be circulated with the agenda notification.

Audit & Risk Committee Report Schedule 2017					Informal A&R	Council
Standard Reports	14-Mar-17	13-Jun-17	5-Sep-17	13-Dec-17	29-Aug-17	21-Sep-17
Organisation Improvement Report						
Risk Management Report						
Health and Safety Update						
<b>Strategic Reports</b>	<b>14-Mar-17</b>	<b>13-Jun-17</b>	<b>5-Sep-17</b>	<b>13-Dec-17</b>	<b>29-Aug-17</b>	<b>21-Sep-17</b>
Audit & Risk Committee Self Review						
<b>Annual Plan/LTP Reports</b>	<b>14-Mar-17</b>	<b>13-Jun-17</b>	<b>5-Sep-17</b>	<b>13-Dec-17</b>	<b>29-Aug-17</b>	<b>21-Sep-17</b>
Legal Review (Contingent Liabilities)						
Annual Report Planning Update						
Review of Draft Financial Statements						
Annual Report (Recommendation to Council)						
<b>Stakeholder Liaison Reports</b>	<b>14-Mar-17</b>	<b>13-Jun-17</b>	<b>5-Sep-17</b>	<b>13-Dec-17</b>	<b>29-Aug-17</b>	<b>21-Sep-17</b>
<b>Internal Audit reporting:</b>						
Draft Internal Audit Plan						
Internal Audit Update and Reports						
<b>External Audit reporting:</b>						
Audit Engagement/Audit Arrangements Letter						
Interim Management Report						
Clearance to Audit & Risk Committee						
Issue of Audit Opinion						
Final Management Report						
<b>Business As Usual (BAU) Reports</b>	<b>14-Mar-17</b>	<b>13-Jun-17</b>	<b>5-Sep-17</b>	<b>13-Dec-17</b>	<b>29-Aug-17</b>	<b>21-Sep-17</b>
Fitch Credit Rating Report						
Insurance Renewal						
Seismic Report						





**Committee:** Audit & Risk Committee      **Date:** 13 June 2017  
**Report Name:** Organisational Improvement Register Report      **Author:** Barnaby Pace

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>2015-2025 Long Term Plan</i>
<b>Financial status</b>	<i>There is no specific budget allocated but improvement programme activities are covered within existing staff budgets</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

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

### Recommendation from Management

That the Audit and Risk Committee receives this report.

## 3. Attachments

- Attachment 1 - Organisational Improvement Register

## 5. Discussion

- Council's risk management programme includes the completion of internal audits by PricewaterhouseCoopers and external audits by Audit New Zealand.
- Actions and recommendations resulting from these audits are recorded and monitored through the Organisational Improvement Programme Register (Attachment 1).
- There are currently 21 open items on the Organisational Improvement Programme Register.
- Since the last reporting period four items have been closed with a further four items marked for audit sign off. There are no overdue items.

## Signatory

Authoriser	David Bryant, General Manager Corporate
------------	---

Organisational Improvement Programme Register: Database (Open Items)										Progress Update	
Business Unit	Internal Ref	Audit Information					Improvement Action Plan				
	No.	Status	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Updated Comments	Owner	Completion Date
Strategy/Property	344	Open	A strategy for the management of strategic lease properties should be developed and implemented	A strategy document ("Operational Property Plan for Hamilton City Council") was drafted in in March 2011. This document included objectives for property management activities and a strategy for achieving these objectives. However it was not presented to Council or approved. There is no current formalised strategy document in place to provide direction to the activities of the SPU in relation to strategic lease properties.	PWC Internal Audit Strategic Lease Property Process Assessment	P6	Management should refresh the strategy document and clearly define the strategic objectives and the strategy to be followed for property management activities, including disposal and future property acquisition. Once developed, the strategy should be submitted to Council for approval and implemented. The strategic objectives defined for the SPU should align to the strategy and long term goals of the Council. Examples of strategies that could be employed include: 1. Maintenance of a passive property portfolio – with a target return on investment of around 9-12% (ungeared) 2. Maintenance of an active portfolio with a target return of around 12-18% (ungeared) 3. Maintenance of a blended portfolio with a target return of around 12-14% (ungeared). The strategic objectives defined should also include 'civic' outcomes, such as: 1. Specified preference to support revitalisation of the CBD or reserves, 2. Specified preference to invest in Hamilton or within Waikato boundaries 3. Specified preference to invest in targeted growth areas within Hamilton City (i.e. regeneration areas, new growth areas). The strategy document may also consider when and how proceeds from property sales should be re-deployed.	High	<u>Update: May 2017</u>  Council has signed off on the reactivation of Hamilton Property Ltd. Work currently under way on approved timetable.	Strategic Property Unit Manager	10/03/2017
Strategy/Property	349	Open	Property management system should be considered to increase the efficiency of property management processes	The strategic property portfolio management processes are currently supported by a Microsoft Access database and a paper based filing system. As such, property files including contracts, correspondence with leases, rental assessments etc. are all retained in hard-copy and are inefficient to manage. The current system does not facilitate efficient budgeting, reporting, and management at an individual property level. This reduces the quality of any budgeting and reporting for the SPU as a whole.	PWC Internal Audit Strategic Lease Property Process Assessment	P13	Management should consider implementing a property management system to better support and facilitate the strategic property management processes.	Low	<u>Update: May 2017</u>  IT is currently scoping property management options.	Strategic Property Unit Manager	30/06/2018
Zoo/Finance	353	Open		With the discontinuance of the HCC Internal Audits (last one in November 2016), There have been no formal internal audits of the environmental management system. There is currently no schedule in place and no allocated trained auditor(s). It is understood that under the organisational restructure that a person(s) will be allocated to the Internal Auditor role. Non-conformance: Hamilton Zoo has not carried out Internal Audit in a planned and controlled/scheduled manner. Clause of the standard: ISO14001 clause 4.5.5	ISO 140001 telarc audit (Zoo) August 2016		Planned: Within 3 months Stephen (Zoo Director) will send the Auditor an Action Plan of what the Zoo will be doing going forward. The Action Plan to include: 1. Auditor(s) have been allocated (and trained if required) 2. Schedule of Internal Audits developed 3. If timely, then an example of an Internal Audit Report – this may occur after the 3 month timeframe.	Low	<u>Update: May 2017</u>  1. Hamilton Zoo is currently reviewing an alternative accreditation (i.e. CarbonZero) after the initial improvements after the fatal incident has been addressed. This is expected to take approximately 12-18 months with current improvement programme underway and SLT decision on accreditation value and outcome.	Zoo Director	1/06/2018

Organisational Improvement Programme Register: Database (Open Items)							Progress Update				
Business Unit	Internal Ref	Audit Information					Improvement Action Plan				
	No.	Status	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Updated Comments	Owner	Completion Date
AMCoE	305	Open	Property, plant and equipment	Capitalise completed projects timely in the fixed asset register	Audit NZ Management Report, March 2016	P3	Staff agree, the amount of WIP which should have been capitalised is high. We also note that the misalignment does not result in a material misstatement. Business processes are being improved. This includes the establishment of a Capital Monitoring Group lead by the Corporate Services Manager to ensure delivery of the asset programme and its capitalisation. Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in WIP or business processes to improve organisational performance around capitalisation of assets and capitalisation.	Necessary	<p><u>Update: May 2017</u></p> <p>1. Council's Work in Progress balance is being actively monitored and reported to management on a monthly basis.</p> <p>2. Significant improvement has been seen in outstanding WIP balances across the organisation.</p>	Financial Controller	31/08/2017
IT	317	Open	IT Controls	Refine the process for adding, amending and removing user's network access	Audit NZ Management Report, March 2016	P4	The on-boarding and off-boarding process generally works well. This particular example falls outside the norm. An audit has been completed to ensure no other anomalies. Council is investing in further automation to reduce the possibility of this happening again.	Necessary	<p><u>Update: May 2017</u></p> <p>1. There is currently an operating procedure in place for moving, adding and deleting related end-users access to the Corporate network, systems, telephony and peripheral equipment.</p> <p>2. Recommendation to be made for closure</p>	Chief Information Officer	30/06/2017
Finance	337	Open	Creditor Masterfile change report	The creditor Masterfile change report to be updated to include the nature of changes so that it can be reviewed for reasonableness. All new supplier changes and bank account changes independently reviewed against supporting documentation.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3	The creditor masterfile change report shows where bank accounts have been changed or created within the creditor masterfile. In future all new supplier and bank accounts changes will be independently reviewed.	Necessary	<p><u>Update: May 2017</u></p> <p>1. The development and improvement of SOP/ProMap processes is currently underway.</p>	Financial Controller	1/06/2018
AMCoE	305	Open	Property, plant and equipment	Capitalise completed projects timely in the fixed asset register	Audit NZ Management Report, March 2016	P3	Staff agree, the amount of WIP which should have been capitalised is high. We also note that the misalignment does not result in a material misstatement. Business processes are being improved. This includes the establishment of a Capital Monitoring Group lead by the Corporate Services Manager to ensure delivery of the asset programme and its capitalisation. Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in WIP or business processes to improve organisational performance around capitalisation of	Necessary	<p><u>Update: May 2017</u></p> <p>1. Council's Work in Progress balance is being actively monitored and reported to management on a monthly basis.</p> <p>2. Significant improvement has been seen in outstanding WIP balances across the organisation.</p>	Financial Controller	31/08/2017
Compliance	339	Open	Adoption of legislative compliance policy	The Legislative Compliance Policy formally approved by Council and made available to staff throughout the organisation.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3	The policy will be formally adopted by 1 December 2016	Necessary	<p><u>Update: May 2017</u></p> <p>1. Organisational wide Compliance framework currently under development to align with new risk management framework.</p>	Risk & Insurance Manager	1/06/2018

		Organisational Improvement Programme Register: Database (Open Items)						Progress Update			
Business Unit	Internal Ref	Audit Information						Improvement Action Plan			
	No.	Status	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Updated Comments	Owner	Completion Date
Compliance	340	Open	Review of legislative compliance responsibility	In view of the recent changes in organisational structure and appointment of new key personnel, Council to consider a review of legislative requirements applicable to Hamilton City Council and consider ways to ensure that staff are aware, and take ownership, of responsibilities applicable to them.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3	Work is currently underway to address this issue and will be cleared by 1 December 2016.	Necessary	<p><u>Update: May 2017</u></p> <p>1. Organisational wide Compliance framework currently under development to align with new risk management framework.</p>	Risk & Insurance Manager	1/06/2018
AMCoE	243	Open	Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444) 14/15	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Necessary	<p><u>Update: May 2017</u></p> <p>1. Asset data improvement initiatives are underway that include BIM project to improve data for water and wastewater treatment plants, componentisation and capture of asset data for solid waste assets, planning and implementation of condition assessment programme</p>	Waters Manager	1/01/2026
AMCoE	308	Open	Property, plant and equipment	Ensure all parks, gardens and building assets are added to the Hansen 8 system so information is all contained with one asset management system	Audit NZ Management Report, March 2016	P3	Staff agree. Council is in the development stage of implementing new systems and plan to have all our parks, gardens and building assets data held in Hansen 8. Council has initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in appropriate systems.	Necessary	<p><u>Update: May 2017</u></p> <p>1. An additional specialist resource was recruited in April 2017 to lead this and other organisational asset information improvements with a detailed work plan being developed during 2017.</p> <p>2. Mitigation expected to take 2-3 years due to size of project.</p>	Asset Management Centre of Excellence Manager	30/06/2017
Finance	341	Open	Dynamics AX user profiles	Improvements made to the internal control procedures for adding and removing users, and implement procedures to manage changes to delegated authorities in the AX Dynamics system.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3	Improvements to processes governing user access have been identified and implemented. A full review of system user profiles is being completed to ensure all users are current staff members and have appropriate access levels to match role responsibilities.	Necessary	<p><u>Update: May 2017</u></p> <p>The development and improvement of SOP/ProMap processes is currently underway.</p>	Financial Controller	1/06/2018

		Organisational Improvement Programme Register: Database (Open Items)					Progress Update				
Business Unit	Internal Ref	Audit Information					Improvement Action Plan				
	No.	Status	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Updated Comments	Owner	Completion Date
Finance	319	Open	General ledger reconciliations	From our review of monthly reconciliations, we identified the following: <ul style="list-style-type: none"> <li>The suspense accounts were not always prepared or when they were prepared they were not always dated so we could evidence the timeliness of the review. These reconciliations were not always independently reviewed in a timely manner.</li> <li>The fixed assets reconciliations were not prepared until March 2015.</li> <li>The October 2014 Bank Reconciliation could not be found. We understand that the significant delays in preparing or independently reviewing the reconciliations are mainly due to the system upgrade.</li> </ul>	Audit NZ Fact Sheet HCC Interim April 2016	P15	Based on our review of the suspense account reconciliations, we have identified that these were either not prepared in a timely manner or not reviewed independently. We noted the December 2015 reconciliation had not been prepared until February 2016 and was not independently reviewed. The February 2016 was not independently reviewed until April 2016.  The fixed asset reconciliations were only prepared for November 2015 and March 2016. These reconciliation had not been independently reviewed.  All the bank reconciliation had been prepared and reviewed in a timely manner.	Necessary	<p><b>Update: May 2017</b></p> <ol style="list-style-type: none"> <li>Financial process improvements to reconciliation have been implemented and monitored to the FCO's expectation.</li> <li>This audit finding can be submitted for closing.</li> </ol>	Financial Controller	31/08/2017
Finance	328	Open	IT Issue - Dynamics AX user profiles	We noted during our review of Dynamics AX financial system user access that there were staff who had been assigned incorrect profiles in the system and staff who had left but not removed. We also noted that staff are disabled in the system but not removed when they leave the council, and that the workflow which manages delegated authority approvals is not working correctly because staff changes have not been updated in the workflow system. We discussed these with the Procurement Manager and corrections have now been made to the profiles. We understand that staff are working to correct the workflow for delegated authorities.	Audit NZ Fact Sheet HCC Interim April 2016	P25	Improvements to processes governing user access have been identified and implemented. A full review of system user profiles is being completed to ensure all users are current staff members and have appropriate access levels to match role responsibilities.	Necessary	<p><b>Update: May 2017</b></p> <ol style="list-style-type: none"> <li>The development and improvement of identified processes is currently underway with focus on assurance checks. Update expected next ARC August 2017</li> </ol>	Financial Controller	30/06/2017
IT	329	Open	IT Issue - No Organisational Business Continuity Plan or IT Disaster Recovery Plan	We have noted in prior years that Council has continued to defer the development and testing of an organisational Business Continuity Plan and an IT Disaster Recovery Plan. We continue to recommend that Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans. Update in 2015. The project to outsource all IT support and datacentre hosting to Fujitsu, will include development of new IT Disaster Recovery management systems and processes.	Audit NZ Fact Sheet HCC Interim April 2016	P28	The IT DRP is awaiting finalisation with the pending changes to Desktop as a service, and server hosting redundancy services currently under negotiation with Fujitsu and Azure. During the year the Azure datacentre was down for one day and there was no backup service available to the council. Responsibility for Organisational Business Continuity lies with another area within council. We continue to recommend that council develops and tests organisational business continuity and IT disaster recovery plans.	Necessary	<p><b>Update: May 2017</b></p> <ol style="list-style-type: none"> <li>Information Services (IS) has developed a business continuity specific disaster response capability with BAU management practices that addresses the findings.</li> </ol>	Chief Information Officer	30/06/2017

		Organisational Improvement Programme Register: Database (Open Items)					Progress Update																										
Business Unit	Internal Ref	Audit Information					Improvement Action Plan																										
	No.	Status	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Updated Comments	Owner	Completion Date																						
		<table border="1"> <thead> <tr> <th colspan="3">Pricewaterhousecooper Legend</th> </tr> <tr> <th>Level</th> <th>Risk</th> <th>Consequences of Risk Ratings</th> </tr> </thead> <tbody> <tr> <td>H</td> <td>High</td> <td>Requires immediate action</td> </tr> <tr> <td>M</td> <td>Moderate</td> <td>Requires attention/action within 3 months</td> </tr> <tr> <td>L</td> <td>Low</td> <td>Requires attention/action within 6 months</td> </tr> </tbody> </table>					Pricewaterhousecooper Legend			Level	Risk	Consequences of Risk Ratings	H	High	Requires immediate action	M	Moderate	Requires attention/action within 3 months	L	Low	Requires attention/action within 6 months	<table border="1"> <thead> <tr> <th colspan="2">Audit NZ Legend</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e67e22;">Urgent Major improvement required</td> <td><b>Needs to be addressed urgently</b> These recommendations relate to significant deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.</td> </tr> <tr> <td style="background-color: #f1c40f;">Necessary Improvements are necessary</td> <td><b>Address at the earliest reasonable opportunity, generally within 6 months</b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.</td> </tr> <tr> <td style="background-color: #f1e525;">Beneficial Some improvement required</td> <td><b>Address, generally within 6 to 12 months</b> These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.</td> </tr> </tbody> </table>				Audit NZ Legend		Urgent Major improvement required	<b>Needs to be addressed urgently</b> These recommendations relate to significant deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.	Necessary Improvements are necessary	<b>Address at the earliest reasonable opportunity, generally within 6 months</b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.	Beneficial Some improvement required	<b>Address, generally within 6 to 12 months</b> These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.
Pricewaterhousecooper Legend																																	
Level	Risk	Consequences of Risk Ratings																															
H	High	Requires immediate action																															
M	Moderate	Requires attention/action within 3 months																															
L	Low	Requires attention/action within 6 months																															
Audit NZ Legend																																	
Urgent Major improvement required	<b>Needs to be addressed urgently</b> These recommendations relate to significant deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.																																
Necessary Improvements are necessary	<b>Address at the earliest reasonable opportunity, generally within 6 months</b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.																																
Beneficial Some improvement required	<b>Address, generally within 6 to 12 months</b> These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.																																





**Committee:** Audit & Risk Committee

**Date:** 13 June 2017

**Report Name:** Risk Management Report

**Author:** Andre Chatfield

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

## 1. Purpose of the Report

- To inform the Audit and Risk Committee on Council's Material Risks and the current state of management of these risks following a routine quarterly review.

## 3. Discussion

- Attached is the quarterly review of the Material Risks to the organisation.
- The Senior Leadership Team, along with the Risk and Insurance Manager, conducted a review of each material risk on 22nd May 2017.
- As a result of this review one emerging risk has been identified by the Senior Leadership Team.
- This emerging risk relates to the failure by Council to adequately fund infrastructure to meet housing growth obligations and expectations arising from the National Policy Statement and the Housing Accord.
- A risk workshop involving all Elected Members and the Senior Leadership Team is scheduled to be conducted on 6 July 2017 for the purpose of discussing and finalising Council's update of its Material Risks.

## Recommendation from Management

That the Audit and Risk Committee receives the report.

**9. Attachments**

- 10. Attachment 1 - HCC Material Risk Report

**Signatory**

Authoriser	David Bryant, General Manager Corporate
------------	---

### Material Risks Summary – June 2017

Rank	Risk Description	Inherent Risk Rating  Rated before controls are implemented	Residual Risk Rating  Rated after controls have been implemented
1	<b>H&amp;S – Workers (including contracted and volunteer workers)</b> Failure to create and maintain a safe environment for staff leading to death, serious injury.	Extreme *  Very High	High ** 
2	<b>H&amp;S - Community</b> Failure to create and maintain a safe environment for the community leading to death, serious injury.	Extreme *  Very High	High ** 
3	<b>Failure of critical assets</b> Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Extreme 	Very High 
4	<b>Inadequate civil defence response</b> Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.	Extreme 	Very High 
5	<b>Cyber attack</b> Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.	Very High 	Very High 
6	<b>Reputation of Hamilton</b> Lower than desired reputation of Hamilton contributes to sub-optimal economic and social outcomes for the city and its community.	Very High 	Medium 
7	<b>Poor data, analysis and response</b> Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.	Very High 	Medium 
8	<b>Failure of BCP</b> Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.	Very High 	Medium 

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

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

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

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

<b>Inherent Risk</b>							
		CONSEQUENCE					<p>There is a very strong relationship between the likelihood and severity (consequence) of H&amp;S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.</p> <p>(A) Risk of serious injury or death</p> <p>(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).</p>
		Minor	Moderate	Serious	Major	Catastrophic	
LIKELIHOOD	Almost certain	H	H	VH	VH	E	
	Likely	M	H	VH	VH	E	
	Possible	L	M	H	VH	VH	
	Unlikely	L	M	M	H	VH	
	Rare	L	L	L	M	H	

<b>Existing Controls and Mitigations</b>
<ol style="list-style-type: none"> <li>Health and Safety Management framework – implementation phases</li> <li>Critical H&amp;S Risks and Controls (14) identified with supporting Bow Tie methodology</li> <li>LASS Pre-qualification engagement program – contractors (75 HCC specific)</li> <li>Advanced investigation response capability (20 trained personnel across HCC)</li> </ol>

<b>Residual Risk</b>							
		CONSEQUENCE					<p>There is a very strong relationship between the likelihood and severity (consequence) of H&amp;S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.</p> <p>(A) Risk of serious injury or death</p> <p>(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).</p>
		Minor	Moderate	Serious	Major	Catastrophic	
LIKELIHOOD	Almost certain	H	H	VH	E	E	
	Likely	M	H	VH	VH	E	
	Possible	L	M	H	VH	VH	
	Unlikely	L	M	M	H	VH	
	Rare	L	L	L	M	H	

Further Actions Required	Update – June 2017	Action Owner
<ol style="list-style-type: none"> <li>1. Establish a governance framework for the engagement and management of contractors</li> <li>2. Enhance the safety behaviours / culture program (take it to the next level of maturity)</li> <li>3. Design and implement an appropriate monitoring approach (audits and reviews (by both external parties and leadership inspections)) and reporting framework to ensure oversight and focus on resolving actions</li> <li>4. Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls.</li> </ol>	<ul style="list-style-type: none"> <li>• New structure implemented combining H&amp;S and HR teams. Key outcome is to leverage existing strong H&amp;S compliance and focus on building safety culture within Council.</li> <li>• H&amp;S framework updated in line with new legislation.</li> <li>• Critical H&amp;S risk and control improvement plans underway</li> <li>• H&amp;S prequalification contractor management for HCC final due date 1<sup>st</sup> June 2017</li> <li>• ICAM investigators trained (20) to support response capability and identification of exposure levels within existing processes.</li> <li>• SLT ICAM Governance training 26/06/2017</li> <li>• 11 of 12 monthly external audits conducted on high risk sites.</li> </ul>	David Bryant (General Manager Corporate)
<b>Target Risk Rating</b>		High  Medium

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

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

Inherent Risk							
		CONSEQUENCE					<p>There is a very strong relationship between the likelihood and severity (consequence) of H&amp;S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.</p> <p>(A) Risk of serious injury or death</p> <p>(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).</p>
		Minor	Moderate	Serious	Major	Catastrophic	
LIKELIHOOD	Almost certain	H	B	VH	A	E	
	Likely	M	H	VH	VH	E	
	Possible	L	M	H	VH	VH	
	Unlikely	L	M	M	H	VH	
	Rare	L	L	L	M	H	

<b>Existing Controls and Mitigations</b>
<ul style="list-style-type: none"> <li>Health and Safety Management framework</li> <li>HCC Pre-qualification programme (LASS) for contractors</li> <li>Emergency Response Planning and Risk Assessment framework across Council</li> <li>Call Centre feedback and HCC Website capability for community to report hazards. Incl social media monitoring by Communications</li> </ul>

Residual Risk							
		CONSEQUENCE					<p>There is a very strong relationship between the likelihood and severity (consequence) of H&amp;S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.</p> <p>(A) Risk of serious injury or death</p> <p>(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).</p>
		Minor	Moderate	Serious	Major	Catastrophic	
LIKELIHOOD	Almost certain	H	H	VH	E	E	
	Likely	M	H	VH	VH	E	
	Possible	L	B	H	VH	VH	
	Unlikely	L	M	M	H	VH	
	Rare	L	L	L	M	H	

Further Actions	Update – June 2017	Action Owner
<ol style="list-style-type: none"> <li>1. Design and implement an appropriate monitoring approach (audits and reviews (by both external parties and leadership inspections)) and reporting framework to ensure oversight and focus on resolving actions</li> <li>2. Enhance understanding of key risk scenarios and commonality of critical controls.</li> <li>3. Ensure on-going monitoring of effectiveness of critical controls where community is exposed. Yet to be established</li> </ol>	<ul style="list-style-type: none"> <li>• Gap analysis of Community H&amp;S risk exposure to Council is yet to be established.</li> <li>• Safety and Design to be factored into development/modifications of infrastructure and public facilities. i.e. building code compliance failures or conflicting standards and best practice.</li> <li>• An analysis of all Asset Management Plans is still to be completed to determine investment levels required to meet council requirements. Results pending Q1/2017</li> <li>• Critical assets within infrastructure identified within AMPs for final draft 1<sup>st</sup> June 2017.</li> <li>• Interference control measures implemented – alarm/sensors/ fencing, security assessments completed</li> </ul>	David Bryant (General Manager Corporate)
<b>Target Risk Rating</b>		High  Medium

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

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

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 City Infrastructure</li> <li>AMP renewals with associated governance at SLT levels</li> <li>Resilience considerations fed into long term asset planning to extend asset life</li> <li>Financial peer reviews of critical assets and supported by Council insurance programme</li> </ul>						
Residual Likelihood	Unlikely	Residual Consequence Drivers	Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Residual Risk Rating	Catastrophic	Very High 

Further Actions	Update – June 2017	Action Owner
<ol style="list-style-type: none"> <li>1. Identify critical assets within AMP providing a critical services</li> <li>2. Develop asset condition management strategy</li> <li>3. Increase detailed budget planning from 3 and 10 year to 30 year period</li> <li>4. Independent reviews across all Asset Management Plans established Feb 2017 COMPLETED</li> <li>5. Infrastructure performance measures to enable ongoing monitoring should be reported to the ARC.</li> </ol>	<ul style="list-style-type: none"> <li>• Asset Management Plans (AMPs) first draft are due 1<sup>st</sup> June. Content identifies critical assets, outlines condition information and the approaches used for planned improvements and management through the 10yr Plan process with KPI performance measures implemented</li> <li>• Development asset condition strategy is still being developed through Asset Management Centre of Excellence</li> <li>• Independent annual review across AMPs conducted by external subject matter experts.</li> <li>• KPI performance measures are now implemented into the AMP's</li> </ul>	Chris Allen (General Manager City Infrastructure)
<b>Target Risk Rating</b>		High 

<b>Inadequate civil defence response</b> Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.			<b>Rank: 4</b>
<b>Risk Owner</b>	Kelvyn Eglinton (GM City Growth)	<b>Category</b>	Disaster Recovery

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

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

Further Actions	Update – June 2017	Action Owner
<ol style="list-style-type: none"> <li>1. Monitoring of SLA in place with WRC and reporting bi-annual progress reports.</li> <li>2. Review and communicate emergency response procedure to lift civil defence awareness through the organisation</li> <li>3. Develop succession plan for critical Emergency Management knowledge</li> </ol>	<ul style="list-style-type: none"> <li>• SLA in place since Oct 2016. Implementation phases on schedule</li> <li>• Capability Assessment conducted Feb 10<sup>th</sup> has provided a bench mark of 44% without captured improvement data within Council</li> <li>• Civil Defence Work Plan for 2017 by WRC (Group) in place</li> <li>• MCDEM advises focus support and implementation of Establishment of National Recover Office is still ongoing</li> <li>• Support works on Wellington Resilience programme still ongoing</li> <li>• Establishment of a National Public Alert System still ongoing</li> <li>• Intensified national public education campaign implemented and current</li> <li>• HCC has established a Crisis Management framework to support and improve response in non-civil defence events</li> <li>• HCC has provided a significant commitment of 130+ personnel to CD training – Foundation and Intermediate</li> <li>• Council have experienced 2 significant weather events that involved standing up an Incident Management Team outside of Civil Defence mandate. This has provided an opportunity to improve response structure</li> </ul>	Blair Bowcott (GM - Special Projects)
<b>Target Risk Rating</b>		High 

<b>Cyber attack</b> Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.			<b>Rank: 5</b>
<b>Risk Owner</b>	David Bryant (GM Corporate)	<b>Category</b>	Technology/ Information/ Data Management

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

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

Further Actions	Update – June 2017	Action Owner
<ul style="list-style-type: none"> <li>• Enhance understanding of key activities where we need back up or manual intervention.</li> <li>• Develop action plans to ensure there is a backup in place for critical activities.</li> <li>• Ensure on-going monitoring of effectiveness of critical controls.</li> <li>• Develop and implement procedures for monitoring unusual network activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Records management system full review for improvement to the organisation is currently ongoing with a dedicated resource.</li> <li>• Establishment of the Business Services Catalogue (BSC) is progressing to include categorising of all services and includes project requirements aligned to HCC Strategy's.</li> <li>• Establishment of an organisation Critical Services list that supports the BSC is ongoing and will be approved by SLT and disseminated through HCC to manage resources efficiently.</li> <li>• Enhance understanding of key activities where we need back up or manual intervention.</li> <li>• DRP developed for current environment with Fujitsu and external resource</li> </ul>	David Bryant (General Manager Corporate)
<b>Target Risk Rating</b>		Very High 

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

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

Existing Controls and Mitigations					
<ul style="list-style-type: none"> <li>• Strategic Alignment to Long Term Plan</li> <li>• Communications Business Unit expertise and support – early proactive strategy</li> <li>• Effective community stakeholders/influencers relationships.</li> <li>• Communications Media Training</li> </ul>					
<b>Residual Likelihood</b>	Likely	<b>Residual Consequence Drivers</b>	Serious	<b>Residual Risk Rating</b>	Medium 

Further Actions	Update - June 2017	Action Owner
<ul style="list-style-type: none"> <li>• Develop a communications strategy which addresses the national perception. It needs to articulate how we want Hamilton to be perceived nationally and a plan for how we go about affecting that.</li> </ul>	<ul style="list-style-type: none"> <li>• Communications provide a reactive service with assigned Communications Advisors to each business unit.</li> <li>• Operationally this is working with existing strategies being established and implemented.</li> </ul>	Sean Hickey (General Manager Strategy & Communications)
<ul style="list-style-type: none"> <li>• Develop and communicate the role Hamilton can play as an economic enabler of the “national growth story” and a solution to Auckland housing issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant works completed with reference material in Hamilton Housing Market; Growth Indicator report and Welcome to Hamilton City; City of Growth, Opportunity and Innovation booklet.</li> </ul>	Kelvyn Eglinton (General Manager City Growth)

<ul style="list-style-type: none"> <li>Develop a Stakeholder relationship strategy and management plan to segment and manage key customers and stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Developers and Consultants Forum (DCF) established with quarterly meetings.</li> <li>Agendas are set via an industry liaison group and by canvassing senior leadership/ key staff and include significant emerging issues, development trends and updates on key developments.</li> <li>Hamilton City Economic Video released with positive feedback</li> <li>Presentations to Government Ministers conducted to highlight Hamilton City</li> </ul>	<p>Kelvyn Eglinton (General Manager City Growth)</p>
<p><b>Target Risk Rating</b></p>		<p>Medium</p> 

<b>Poor data, analysis and response</b> Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.			<b>Rank: 7</b>
<b>Risk Owner</b>	Kelvyn Eglinton (GM City Growth)	<b>Category</b>	Strategic

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

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

Further Actions	Update – June 2017	Action Owner
<ul style="list-style-type: none"> <li>Establish a process of rigorous modelling and scenario planning</li> <li>Establish a suite of relevant, trusted data sources</li> </ul>	<ul style="list-style-type: none"> <li>A review and documented improvements to growth and transport model calculations is established with continual improvement consideration to improve research calibre.</li> <li>Technical phase reviews are in place and include district growth and sub-region approach.</li> <li>NPS is enacted by legislation. A</li> </ul>	Kelvyn Eglinton (General Manager City Growth)

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

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

Risk Triggers					
<ul style="list-style-type: none"> <li>Business Continuity Plans are not communicated effectively</li> <li>Untested Business Continuity Plans</li> <li>Business Continuity Plans haven't contemplated all the scenarios</li> <li>Business Continuity Plan solutions are inadequate</li> <li>Business Continuity Plans are not up to date</li> <li>Business Continuity Plans don't cover off all critical areas of the business</li> </ul>					
<b>Inherent Likelihood</b>	Likely	<b>Inherent Consequence Driver</b> Service Delivery	Serious	<b>Inherent Risk Rating</b>	Very High 
Existing Controls and Mitigations					
<ol style="list-style-type: none"> <li>Business Continuity Plans in place for all critical activities and business units</li> <li>Business Continuity Plans are reviewed quarterly by Risk &amp; Insurance business unit</li> <li>Business Continuity Plans are reviewed as part of asset management planning</li> <li>Business Continuity Plans are reviewed on an ad hoc basis by Internal Audit</li> </ol>					
<b>Residual Likelihood</b>	Unlikely	<b>Residual Consequence Driver</b> Service Delivery	Serious	<b>Overall Residual Risk Rating</b>	Medium 

Further Actions	Update – June 2017	Action Owner
<ul style="list-style-type: none"> <li>Visibility and ownership of Business Continuity Plans to be outlined to all assigned SLT members</li> <li>Velocity site to be updated with easy access instructions in response to an event.</li> <li>Business Continuity Plan testing plans to commence in May 2017 after full implementation</li> </ul>	<ul style="list-style-type: none"> <li>Business Continuity Plan establishment and implementation across the organisation complete. 21 x BCPs in place.</li> <li>Introduction BCP training workshops are to be integrated within Incident and Crisis Management workshops. Expected completion is July 2017</li> <li>Testing and drills yet to be initiated. Actual events conducted and assessed by business unit and Risk and Insurance</li> </ul>	David Bryant (General Manager Corporate)
<b>Target Risk Rating</b>		Medium 

**APPENDIX A – RISK RATING**

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

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

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

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

## APPENDIX B – ACTION REQUIRED AND REPORTING

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

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

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

## APPENDIX C – RISK MATRIX LEGEND

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

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

**Committee:** Audit & Risk Committee

**Date:** 13 June 2017

**Report Name:** Health and Safety Report

**Author:** Karin Barclay

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

## 1. Purpose of the Report

- To inform the Audit and Risk committee on health and safety matters for the quarter ending 31st March 2017.

## 3. Discussion

- The Health and Safety report for the quarter ending 31 March 2017 is attached (attachment 1).
- During the last quarter a structural review was completed that resulted in combining the Health & Safety and People & Culture teams into a new People, Safety and Wellness Unit.
- One of the key outcomes of this review is to drive safety culture improvements adding to the existing strong health and safety compliance focus Council has.
- The new People, Safety and Wellness Unit manager will be responsible for aligning the activities of both disciplines, by developing and leading the implementation of people centric strategies that focus on safety being a core component of Council's culture. This will include supporting leadership at all levels to promote a just and fair environment where all safety concerns can be discussed and addressed quickly.
- A new Safety Engagement Lead role has been established within this team. The key focus of this role will be to enhance the communication and ownership of safety related topics across Council. This will involve reviewing the current health and safety committee structures and identifying improvements, ensuring effective communication on safety matters including leveraging lessons learned and supporting all leaders to promote regular safety conversations within their teams.

**Item 9**

**Recommendation from Management**

That the Audit and Risk Committee receives the report.

**9. Attachments**

- 10. Attachment 1 - Health and Safety Report - Quarter 3

**Signatory**

Authoriser	David Bryant, General Manager Corporate
------------	---

# Health and Safety

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

# HEALTH AND SAFETY REPORT

For period 1 January 2017 to 31 March 2017

D-2392514

 **Hamilton City Council**  
Te kaunihera o Kirikiriroa

## 1.0 Executive Summary

Elected Members, as “Officers”, are responsible for ensuring Council complies with the statutory requirements under the Health and Safety at Work Act 2015 and its regulations. “Officers” have a due diligence duty to actively lead and engage in health and safety matters to ensure that Council complies with its duty. This includes ensuring the provision of the necessary resources to provide suitable facilities, equipment, training and information so that all tasks can be performed in the safest manner possible and to ensure that a safe and healthy working environment is provided.

This report provides an overview of Council’s health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the quarter ending 31 March 2017.

The new health and safety management system documents are being promoted to all units across the organisation. This release is focussed on how the system operates and is managed within Council. The next phase is completing the operational current best practice documents on the organisational health and safety critical risks.

Our framework has been accepted by the Local Authority Shared Services (LASS) board for a regional roll out. We will be participating in this project over the next 12 to 18 months.

The Local Authority Contractor Pre-qualification Scheme is underway with a deadline of 30 June for our contractors to be approved. The total number for LASS is currently 892 with only 75 specific for Hamilton City Council. There are now 19 Councils participating in the Pre-Qualification Scheme.

Price Waterhouse Cooper has provided feedback on the “bow-tie” (risk management methodology) workshops conducted in December. We have reviewed our current controls with those identified from the workshops. The next step is to undertake a gap analysis of critical risk controls, establish governance groups, which will develop action plans and give ongoing oversight to ensure we are managing these critical risks effectively.

A team of 20 have recently been trained in ICAM (Incident Cause Analysis Method) to be brought in as investigators for internal investigations. This approach will allow an improved response capability for any event that is of a serious nature including fatalities. This team will be supported by the Risk and Insurance Manager for oversight to the Senior Leadership Team.

### Summary of Key Performance Indicators (KPIs)

This report will now be presented quarterly instead of six monthly. The statistics will now be year to date with comparison with previous years data.

We are currently tracking behind our set targets except for audits across the organisation which has increased and will be over the annual target of 974.

## 2.0 Key Performance Indicators

### 2.1 Definitions

**Notifiable Events** – fatality, serious injury/illness, incident (serious risk of harm) requiring notification to WorkSafe NZ

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

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

**Total Recordable Incident Frequency Rate** – frequency rate of medical treatment and lost time injuries/illnesses that occur for every 200,000 hours worked (excludes any first aid treatment)

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

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

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

#### Lead Indicators

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

#### Lag Indicators

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

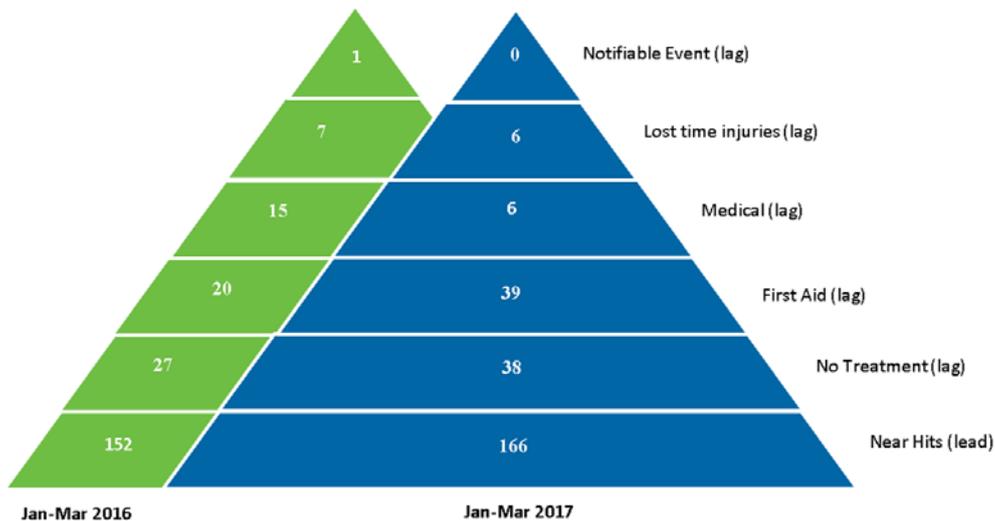


Figure 1: Performance Indicators for events from 1 January to 31 March 2017

D-2392514

## 2.2 Analysis and commentary

### Notifiable Events

There were no notifiable events to WorkSafe New Zealand during this period.

There was one internal investigation conducted for an injury at Hamilton Zoo involving a laceration to the thigh. The root causes were inadequate risk assessment and training and competency.

### Lost Time Injuries

There were six lost time injuries due to work related injuries which is a slight reduction on the same period last year. All six resulted in seven days or less off work which indicates the injuries were of a moderate severity.

### Medical Treatment Injuries

There has been a reduction in injuries/illnesses that resulted in workers going to a doctor in comparison with quarter three last year. A number of these resulted in no treatment or first aid treatment for minor injuries.

From 1 July we will be changing the definition of medical treatment injuries to exclude doctor visits that resulted in no treatment or first aid treatment. This will be communicated to the organisation in quarter four to help units clarify the reporting of injuries instead of doctor visits. This will provide a more accurate understanding and visibility of the more significant injuries.

### Near Hit Reporting

The 2016/17 organisational target of 974 near hits has been achieved, with 1208 being recorded to date. This follows last year's trend and provides a quantitative indication that workers feel safe reporting near hits and understand the benefit of reporting them. These are investigated by Team Leaders/Supervisors with preventative actions identified and implemented.

## 3.0 Due-diligence

"Officers" of Hamilton City Council include Elected Members, Chief Executive and General Managers. The due diligence requirements are drivers of active involvement and relate to functions that officers have control over that affect decisions and behaviour on workplace health and safety. The Chief Executive is responsible for ensuring Council's health and safety legal obligations are being met. The Senior Leadership Team shall be responsible for exercising due diligence responsibilities outlined in this document for their respective groups.

Due-diligence requires the need for "Officers":

- to keep up to date with health and safety matters,
- to ensure critical risks are effectively controlled,
- to ensure health and safety is adequately resourced,
- to ensure appropriate monitoring and reviews are conducted to provide assurances of health and safety performance and identify learnings,
- verify that health and safety matters are being appropriately addressed.

D-2392514

Health and Safety Training attended by workers	61
Group Committee meetings held	5
Safeguard updates distributed	5
Health and Safety Training attended by General Managers	3
Health and Safety Training attended by Elected Members	3

There has been one external audit conducted at an operational level, with a focus on critical risks. 12 non-compliances were identified which include issues with procedural documentation, inadequate risk management, and issues with machine guarding being the primary gaps. The Health and Safety Unit are working with these areas to provide guidance and support in addressing these matters. The audit at the Waste Water Treatment Plant was postponed due to the water main issues and the impact to the City Waters staff. This will now be completed in quarter four.

Workplace inspections are scheduled to occur throughout the year. Health and Safety Representatives carry out at least one inspection per year. They involve a walk-around of each facility/workplace across council, working through a checklist to identify any uncontrolled hazards, expired certifications and the level of health and safety knowledge held by workers. Representatives completed 6 inspections across Council between January and March, with only 3 non-compliances identified for low-medium risks. There is currently one outstanding non-compliance corrective action.

D-2392514

**Committee:** Audit & Risk Committee

**Date:** 13 June 2017

**Report Name:** Audit NZ Engagement and Arrangements Letter June 2017

**Author:** Tracey Musty

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

## 1. Purpose of the Report

- To seek a recommendation to the Council to approve the Audit Engagement Letter and Audit Arrangements Letter from Audit New Zealand, and authorise the Mayor to sign the letters on Council's behalf.

## 3. Discussion

- Audit New Zealand has provided two letters in draft for discussion and sign off; these are the Audit Engagement Letter and Audit Arrangement Letter.
- These letters formalise the information that was provided at the last Audit and Risk Committee in the Audit Planning report.
- The Audit Engagement Letter outlines the terms of the audit engagement for the financial years 30 June 2017 and 30 June 2018. It outlines the terms and nature of the audit engagement and the responsibilities of the Council and Audit New Zealand with regards to the financial statements and performance information.
- The Audit Arrangements Letter outlines the specific arrangements for the year ended 30 June 2017 audit, including the areas of audit emphasis, and the logistics such as who is in the audit team, the timetable and fees.

## Recommendation from Management

That the Audit and Risk Committee:

- receives the report;
- recommends to Council that the Audit Engagement letter and Audit Arrangements letter are approved; and
- recommends to Council that the Mayor is authorised to sign the Audit Engagement letter and the Audit Arrangement letter on Council's behalf.

**8. Attachments**

- 9. Attachment 1 - Audit NZ Engagement Letter June 2017
- 10. Attachment 2 - Audit NZ Audit Arrangements Letter June 2017

**Signatory**

Authoriser	David Bryant, General Manager Corporate
------------	---

2 May 2017

Level 4, 127 Alexandra Street  
PO Box 256, Hamilton 3240

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

Fax: 07 838 0508

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

Dear Andrew

### **Audit engagement letter**

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

This letter outlines:

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

The objectives of the annual audit are:

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

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

A BUSINESS UNIT OF THE CONTROLLER AND AUDITOR-GENERAL

### Your responsibilities

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

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

In addition, the Council is responsible:

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

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

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

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

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

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

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

### **Our responsibilities**

#### **Carrying out the audit**

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

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

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

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

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

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

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

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

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

### **Our independence**

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

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

### **Reporting**

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

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

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

**Next steps**

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

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

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

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

Yours sincerely



Leon Pieterse  
Director  
On behalf of the Auditor-General

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

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Andrew King  
Mayor

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

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

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

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

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

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

## Appendix 2: Other responsibilities

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

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

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

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

7 June 2017

Level 4, 127 Alexandra Street  
PO Box 256, Hamilton 3240

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

Fax: 07 838 0508

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

Dear Andrew

### **Audit for the year ending 30 June 2017**

I am writing to outline our arrangements for the audit of Hamilton City Council for the year ending 30 June 2017. This letter has two main sections – an agreement to be signed, and details of the audit.

#### **Agreement to be signed**

On the next page is an agreement that you need to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return one copy of the agreement, along with a copy of the details of the audit, by 25 May 2017.

#### **Details of the audit**

Here we set out the proposed arrangements for this year's audit. These include:

- our assessment of areas of audit emphasis and our audit response; and
- logistics (such as our audit team, timing, and fees).

#### **Additional information attached**

We have attached three Appendices for your information:

- Appendix 1: Areas of interest for all Local Authorities;
- Appendix 2: Additional information about the audit; and
- Appendix 3: Information we will need for the audit and when it is required.

A BUSINESS UNIT OF THE CONTROLLER AND AUDITOR-GENERAL

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely



Leon Pieterse  
Director

---

**Agreement to be signed**

*I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.*

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Andrew King  
Mayor

## Details of the audit

### 1 Introduction

This document sets out the arrangements for the audit of Hamilton City Council (the City Council) for the year ending 30 June 2017. These include:

- our assessment of areas of audit emphasis and our audit response; and
- logistics (such as our audit team, timing, and fees).

### 2 Areas of audit emphasis

Based on the planning work and discussions that we have completed to date, we have identified the areas which we consider require audit emphasis. This includes business risks and issues facing the City Council that may result in risks of material misstatement in the City Council's financial statements and/or service performance reporting.

As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 2 May 2017).

The table below sets out the business risks and issues that we have identified in line with these requirements and how we plan to respond to these during the audit.

Risk or issue	Our audit response
<b>Capitalisation of work in progress and vested assets</b>	
<p>The City Council has historically experienced difficulties in capitalising work in progress and vested assets in a timely manner.</p> <p>In the prior year a significant project was undertaken to improve capitalisation processes and an Asset Management Centre of Excellence was established.</p> <p>We note that whilst this has led to a significant improvement in the timeliness of capitalisation, a large amount of work in progress and vested assets that were complete and available for use remained uncapitalised in the asset management systems at balance date in the prior year.</p>	<p>We will review work in progress and vested assets at year end to ensure that where assets are completed and available for use they have been capitalised in a timely manner.</p> <p>For any assets that should have been capitalised but were uncapitalised at balance date we will also consider the impact on depreciation and any revaluations performed.</p>

Risk or issue	Our audit response
<b>Revaluation and fair value assessments</b>	
<p>The City Council's refuse, water and wastewater treatment plants, water reservoirs and roading assets were last revalued as at 1 July 2013 and are scheduled for revaluation this year.</p> <p>We understand that the City Council intends to complete fair value assessments to determine whether these asset classes require revaluation during the current year. We highlight that if a material movement is identified the entire asset classes must be revalued for the City Council to comply with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p> <p>The City Council also periodically revalues the following asset classes:</p> <ul style="list-style-type: none"> <li>• land;</li> <li>• buildings;</li> <li>• heritage assets;</li> <li>• parks and gardens improvements;</li> <li>• water reticulation;</li> <li>• wastewater reticulation and pump stations; and</li> <li>• stormwater.</li> </ul> <p>Fair value assessments will also need to be completed for these classes of assets to confirm that there is no material difference between their carrying amount and their fair value.</p>	<p>We will review the City Council's assessment of whether there is any significant difference between the carrying amount and fair value of its assets.</p> <p>If a revaluation is triggered we will review the revaluation to ensure the entire asset classes has been revalued and that the revaluations comply with PBE IPSAS 17, <i>Property, Plant and Equipment</i>. This includes the adjustments that will be made and the relating disclosures. We will also make enquiries of the valuer regarding the assumptions used in the valuation.</p> <p>Any revaluation adjustments should be completed as soon as possible after the revaluation date to ensure discrepancies are resolved promptly.</p>
<b>Housing Infrastructure Fund</b>	
<p>The City Council recently signed up to a Housing Accord with the Government as a way to increase housing supply and improve housing affordability in Hamilton.</p> <p>We understand that the City Council is currently in the process of finalising its bid for approximately \$240 million of funding from the Government to support growth within the Hamilton region.</p> <p>If the City Council is successful in its funding bid, the City Council will need to consider the impact on its existing borrowings.</p>	<p>We will maintain a watching brief on this matter, and encourage management to keep us informed of any decisions made in relation to the Housing Infrastructure Fund.</p> <p>Should Council be successful in its funding bid, consideration should be given to the impact of this on the financial strategy set during the 2015-25 Long Term Plan, and whether any changes to the level of borrowings constitutes an amendment to the Long Term Plan.</p>

Risk or issue	Our audit response
<b>Management override of controls</b>	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment and other information obtained during the audit, we will evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</p>

We will also follow up on progress made by the City Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

### 3 Logistics

#### 3.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Leon Pieterse	Director
Jared Williams	Audit Manager
Liz Tuck	Audit Supervisor
Robyn Dearlove	Information Systems Auditor
Jason Biggins	Tax Director

#### 3.2 Your key audit contacts

We understand that the key audit contacts for the City Council are Sarah Ward (non-financial matters) and Tracey Musty (financial matters). We expect that they will ensure that the annual report is prepared on time and has been subjected to an appropriate level of quality assurance review. We will liaise with them regarding any errors that we may identify during our work on the annual report and discuss with them any items which may be included in our report to Council.

We will send the draft management report to Tracey Musty for management comment, before finalising and sending the report to Council.

### 3.3 Important dates in the audit process

Our proposed timetable is:

	<b>Date</b>
Draft annual plan/consultation document available for review	10 April 2017
First interim audit begins	22 May 2017 <sup>1</sup>
Second interim audit begins	19 June 2017
Draft interim management report issued	30 June 2017
Draft financial statements available for audit <sup>2</sup>	4 August 2017
Final audit begins	7 August 2017
Annual report <sup>3</sup> available for audit	21 August 2017
Verbal audit clearance given	4 September 2017
Draft management report issued for comment	8 September 2017
Audit opinion issued	21 September 2017
Final management report issued	21 September 2017

### 3.4 Our interim audit visits

We will carry out two interim audit visits, the first in May 2017 and the second in June 2017. During these visits, we will focus on updating our understanding of the City Council's internal control. This includes reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from your systems during our final audit.

### 3.5 Our final audit visit

Our final audit is scheduled to start on 7 August 2017 and is expected to last three weeks. During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

### 3.6 Professional fees

We are currently in the process of confirming our audit fee estimate for the year ending 30 June 2017. We have written separately to Council our proposed audit fees. The below is based on that letter.

We propose to bill as follows:	\$
June 2017	83,600
August 2017	52,250
September 2017	52,250
October 2017	20,900
	209,000

<sup>1</sup> First interim audit is scheduled from 22 May 2017 – 2 June 2017

<sup>2</sup> Financial statements (including notes to the financial statements) with actual year-end figures.

<sup>3</sup> Annual report, including any Mayor's and Chief Executive's overview or reports and financial statements incorporating all the amendments agreed to between the City Council and Audit New Zealand

To ensure we can complete the audit within the proposed time frame (see section 3.3) and proposed fee, it is critical that you make appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we will seek to recover from you. To help you prepare for the audit, a schedule of the information that we will need for the audit is included in Appendix 3.

## Appendix 1: Our areas of interest for all Local Authorities

As well as the risks and issues noted in section 2 above, there are also a number of other concerns common to the local government sector. The table below outlines our areas of interest for this year's audit. The left-hand column describes each matter and the reasons for our interest. In the right-hand column, we describe how we plan to address each matter during the audit.

Risk or issue	Our audit response
<b>Rates</b>	
<p>Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>Due to prior year issues and concerns over rating practices in the local government sector as a whole, in the 2016 audit we focused our attention on the Council's compliance with rating legislation and regulations.</p>	<p>For 2017 we will again consider the Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of our audit, and our expertise as auditors. The Council has responsibility for ensuring that it complies with applicable laws and regulations.</p>
<b>Local Government Members' Interest Act</b>	
<p>The Local Government (Members' Interests) Act 1968 controls the making of contracts between councillors and the City Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.</p> <p>The Auditor-General's 2010 report <i>Guidance for members of local authorities about the local Authorities (Members' Interests) Act 1968</i> provides useful guidance for both Council and elected members on their requirements under the Act.</p>	<p>It is primarily the City Council and elected member's responsibility to ensure the requirements of the Local Government (Members' Interests) Act 1968 are complied with. We will update our understanding of the City Council's policies and processes in relation to members' interests and in the course of our usual audit work we will remain alert for any potential breaches of the Act.</p>
<b>Sensitive expenditure</b>	
<p>Appropriate expenditure in the public sector remains an area of significant public interest.</p>	<p>We will check to see whether there have been any changes to the City Council's sensitive expenditure policy and will carry out testing on expenditure to ensure compliance with the sensitive expenditure policy.</p>

Risk or issue	Our audit response
<b>Fraud</b>	
<p>The auditing standard ISA (NZ) 240, <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i>, issued by the External Reporting Board requires that we make enquiries:</p> <ul style="list-style-type: none"> <li>• of entity management; and</li> <li>• those charged with governance on matters such as their assessment of the risk of fraud and the accounting and internal control systems designed to prevent and detect frauds.</li> </ul> <p>We have previously explained to Council the representation we will ask them to sign near the completion of the audit in relation to fraud. We will continue to require this representation.</p> <p>The main fraud risk factor in the local authorities sector during the last two years was internal controls being overridden or not being followed.</p> <p>The most common methods used to commit frauds involved:</p> <ul style="list-style-type: none"> <li>• submitting fraudulent expense claims;</li> <li>• forging documents;</li> <li>• stealing plant or equipment; and</li> <li>• stealing cash.</li> </ul>	<p>We will undertake formal discussions with the Chief Executive, senior managers and Council on matters concerning fraud risk awareness, identification of susceptible areas and the mitigating controls that the City Council has put in place.</p> <p>Please notify us without delay of any serious fraud suspected or discovered.</p> <p>When considering the City Council's system of internal control to prevent and detect fraud, we will also consider the:</p> <ul style="list-style-type: none"> <li>• quality of documented delegations, authorisation and approval procedures and whether these are followed in practice;</li> <li>• adequacy of procurement policies and procedures particularly around how any conflict of interest is detected and managed; and</li> <li>• quality of documented sensitive expenditure policies and whether these are followed.</li> </ul>
<b>Elected members remuneration and allowances</b>	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a local authority's policy on allowances and expenses.</p> <p>Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p>

Risk or issue	Our audit response
<b>Severance payments</b>	
<p>The Auditor-General's 2012 report <i>Severance Payments: A guide for the public sector</i> is the point of reference for severance payments. This report discusses the risks facing public sector employers when they make voluntary payments to employees (especially at the end of the employment relationship) and suggests a principled approach to employment settlements, aimed at reducing those risks.</p> <p>Clause 33 of schedule 10 to the Local Government Act 2002 requires certain disclosures in relation to severance payments.</p>	<p>We will examine any severance payments made to employees as part of exit settlements – especially when senior former staff are the recipients – to ensure a principled approach has been followed in reaching settlement.</p> <p>Our focus will be on settlements which could be seen to be, excessive or unusual. For example, this would include settlements which include a large tax free payment, provide a guaranteed contract role of the departing employee. We will also examine any payments significantly in excess of contractual entitlements.</p> <p>We will confirm the accuracy and completeness of any disclosures.</p>
<b>Summary annual report</b>	
<p>The City Council is required to prepare and make publicly available a summary of its annual report within one month of adopting its annual report.</p>	<p>We will review the summary annual report to ensure it represents, fairly and consistently, the major matters dealt with in the annual report.</p>

## Appendix 2: Additional information about the audit

### Our reporting protocols

#### Management reports

We will provide a draft of all management reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

#### Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the City Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the City Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the City Council's governing body that specify the reasons why the corrections will not be made.

### Our expectations of you to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the City Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;
- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the City Council's website.

### Using your internal auditors

Our approach will be to continue to liaise with your internal auditors to ensure appropriate co-ordination of effort. In keeping with the applicable auditing standard, ISA (NZ) 610, *Using the Work of Internal Auditors*, we will make a preliminary assessment of the internal audit function in terms of organisational status, scope, technical competence, and professional care.

If we determine from our preliminary assessment that the internal audit function could be relied on for external audit purposes then we will consider the internal audit work proposed or completed. We will then determine the extent to which we can use the internal audit work to supplement our audit work.

**How we consider your compliance with statutory authority**

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the City Council's financial statements or general accountability. Our audit does not cover all of the City Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

### Appendix 3: Information we will need

In the table below we have listed the information that we will need during the final audit.

Information we will need	Date available
<p><b>Draft financial statements</b></p> <p>A complete set of financial statements with all balances that agree to supporting "leadsheets". These should include the accounting policies, a Statement of Comprehensive Income, a Balance Sheet, a Statement of Cash Flows, and the notes to the accounts.</p> <p>Funding Impact Statements (City Council and Group of Activities).</p> <p>Financial Prudence Measures.</p> <p>A draft Statement of Service Performance.</p>	4 August 2017
<p><b>Final annual report</b></p> <p>Financial statements and statement of service performance incorporating all the amendments agreed to between the Hamilton City Council and Audit New Zealand, including the Mayor's and Chief Executive's overview or reports.</p>	28 August 2017
<p><b>Summary annual report</b></p> <p>Draft summary annual report.</p>	21 August 2017
<p><b>General information</b></p> <p>Supporting schedules for all balances with figures for the current year, budget and last year, along with the dollar and percentage movement. Explanations for variances <math>\pm</math> 10% or \$500,000.</p> <p>Supporting schedules that agree to the general ledger and to the financial statements, with supporting documentation for any adjustments between the general ledger and the financial statements.</p> <p>Additional, more detailed, supporting schedules where balances are made up of a number of GL accounts providing the applicable GL code. This should clearly show which ledger account codes combine to form each individual figure in the financial statements.</p> <p>Workpapers clearly documenting how the figures in the Statement of Cash Flows were calculated.</p> <p>Reconciliation of all figures in the Statement of Cash Flows back to the Income Statement and Balance Sheet and supporting schedules.</p> <p>Copy of the trial balance.</p>	7 August 2017
<p><b>Minutes</b></p> <p>City Council and sub-committee minutes for the year ending 30 June 2017 and all subsequent minutes up to the date the audit opinion is signed.</p>	7 August 2017
<p><b>Journals</b></p> <p>Listing of all journals entries for the year.</p>	7 August 2017

<b>Information we will need</b>	<b>Date available</b>
<p><b>Cost allocation</b></p> <p>Supporting schedule showing total expenditure by activity.</p> <p>Report showing allocation of costs to each activity.</p> <p>Description of methodology used for allocating costs to the activities.</p>	7 August 2017
<p><b>Cash and cash equivalents</b></p> <p>Bank account reconciliations to 30 June 2017 including:</p> <ul style="list-style-type: none"> <li>• schedule of unrepresented cheques and/or unprocessed direct payments;</li> <li>• schedule of deposits in transit; and</li> <li>• schedule of any other unreconciled items and an explanation of how they have been accounted for.</li> </ul> <p>Details of last cheque issued and last deposit made for the year.</p> <p>All bank statements from the start of the financial year until the date of the audit.</p>	7 August 2017
<p><b>Debtors</b></p> <p>Debtors listing, reflecting gross receivable and ageing.</p> <p>Sundry debtors accrual schedule.</p> <p>Reconciliation of debtors listing to general ledger.</p> <p>Details of provision for doubtful debts calculation.</p> <p>Schedule of all debtors written off during the period.</p> <p>Debtor account reconciliations for the year to 30 June 2017.</p>	7 August 2017
<p><b>Prepayments</b></p> <p>Listing of all year-end prepayments. Supporting documentation for significant prepayments.</p>	7 August 2017
<p><b>Investments in subsidiaries and associates</b></p> <p>Schedule of all investments in subsidiaries and associates as at 30 June 2017, including details of movements in investments during the year.</p> <p>Impairment assessment for all investments in subsidiaries and associates as at 30 June 2017.</p>	7 August 2017
<p><b>Property, plant and equipment (including infrastructure)</b></p> <p>A copy of the Fixed asset register (including a reconciliation to the general ledger).</p> <p>Movement reconciliation for the year outlining additions, disposals, and depreciation.</p> <p>Supporting documentation for additions/disposals and write-off of any assets.</p> <p>Schedule of capital work in progress at 30 June 2017 and an indication of when each asset is likely to start accruing benefits and when it is likely to be operational.</p>	7 August 2017

<b>Information we will need</b>	<b>Date available</b>
<p><b>Asset revaluations</b></p> <p>Names and addresses of all valuers used.</p> <p>Copies of any valuation reports.</p> <p>All supporting documentation to account for any revaluation.</p>	<p>1 June 2017</p> <p>7 August 2017</p>
<p><b>Fair value assessments</b></p> <p>Copies of assessment performed.</p>	<p>30 June 2017</p>
<p><b>Creditors and accruals</b></p> <p>Complete listing of accruals as at 30 June 2017.</p> <p>Supporting documentation for all accruals over \$500,000.</p> <p>Reconciliation of creditors control to the general ledger.</p> <p>Supporting documentation for any significant creditors.</p>	<p>7 August 2017</p>
<p><b>Borrowings</b></p> <p>Schedule of all borrowings as at 30 June 2017, including details of movements in borrowings during the year.</p> <p>Supporting documentation for borrowings held at year end.</p> <p>Contractual maturity analysis workings.</p>	<p>7 August 2017</p>
<p><b>Suspense accounts</b></p> <p>Reconciliation of all suspense accounts.</p>	<p>7 August 2017</p>
<p><b>Equity</b></p> <p>Supporting documentation for any movement in equity other than the net surplus or deficit.</p>	<p>7 August 2017</p>
<p><b>Commitments</b></p> <p>Schedule of commitments at 30 June 2017.</p> <p>Supporting documentation for all commitments.</p>	<p>7 August 2017</p>
<p><b>Contingencies</b></p> <p>Schedule of all contingencies and guarantees at 30 June 2017.</p> <p>Supporting documentation for all individual items.</p> <p>Names and addresses of all solicitors/barristers used by the Hamilton City Council and descriptions of matters and estimates of the financial settlement. (A legal letter template to be provided by us.)</p>	<p>7 August 2017</p>
<p><b>Tax</b></p> <p>GST returns to 30 June 2017.</p> <p>A reconciliation of the balance of GST payable in the general ledger to the last GST return.</p> <p>The current year tax calculation, deferred tax proof, and supporting workpapers.</p>	<p>7 August 2017</p>

<b>Information we will need</b>	<b>Date available</b>
<p>The latest IRD statement of account for income tax (if any).</p> <p>All tax advice, binding ruling applications, tax compliance reports, and IRD correspondence.</p>	
<p><b>Revenue</b></p> <p>A reconciliation of general ledger to financial statements.</p> <p>Explanations for variances greater than 10% and \$500,000 when the figure is compared to the previous year and budget.</p> <p>Supporting documentation for any significant revenue streams.</p>	7 August 2017
<p><b>Expenditure</b></p> <p>A reconciliation of general ledger to the financial statements.</p> <p>A reconciliation of lease/rental charges to lease agreements.</p> <p>A listing of the fees paid and/or payable to each member of the City Council for the year.</p> <p>A listing of expenses incurred by, or on behalf of, City Council members during the year (by member).</p> <p>For all general ledger balances, a comparison (with explanations of variances greater than \$500,000 or 10%) of the actual expenditure for this year against:</p> <ul style="list-style-type: none"> <li>• the budget for this year; and</li> <li>• actual for the previous year.</li> </ul>	7 August 2017
<p><b>Payroll</b></p> <p>A reconciliation of the payroll system and the general ledger for the year.</p> <p>Breakdown of the financial statements figure into the various ledger balances.</p> <p>Schedule of any major changes and effective date, for example, wage increases since the last audit.</p> <p>Listing, generated from the payroll system, of new employees and employees who have left, and all performance, redundancy and severance payments.</p> <p>Schedules/workpapers supporting annual, retirement, and long service leave accruals (reconciled to the general ledger and the financial statements).</p>	7 August 2017
<p><b>Service performance reporting</b></p> <p>Evidence to support the reported results for each performance target in the Statement of Service Performance.</p> <p>Explanations for significant variances by activity.</p>	7 August 2017
<p><b>Legislative disclosures</b></p> <p>A schedule of all internal borrowings as at 30 June 2017, including details of amounts loaned and repaid during the period</p> <p>A copy of City Council's calculations to support the Disclosure Statement required under the Local Government (Financial Reporting and Prudence Regulations) 2014.</p>	7 August 2017

Information we will need	Date available
A copy of the City Council's calculation to support the employee remuneration band disclosure	7 August 2017
Information to support the City Council's insurance of assets disclosure	

**Committee:** Audit & Risk Committee      **Date:** 13 June 2017  
**Report Name:** Audit NZ proposal to conduct audits for the 2017, 2018 and 2019 Financial Years      **Author:** Tracey Musty

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

## 1. Purpose of the Report

- To seek a recommendation to the Council to approve the Proposal letter and authorise the Mayor to sign the letter on Council's behalf.

## 3. Discussion

- Audit New Zealand has provided the Proposal to conduct the audit of HCC on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years.
- The proposal provides information on:
  - the statutory basis of conducting the audit
  - the hours planned and reasons for change
  - the audit fees and how they are set
  - assumptions relating to the audit fee.
- The letter is proposing an increase of fees:
  - from actual 2016 to proposed 2017 an increase of \$10,000; excluding disbursements and GST
  - this then increases in 2018 a further \$11,000
  - and for 2019, a further \$10,000.
- The main changes for the increase in fees are due to staff salary cost movements, additional hours required as a result of increased Local Government reporting requirements, and the removal of the discount previously given.

**Recommendation from Management**

That the Audit and Risk Committee:

- a) receives the report; and
- b) recommends to Council that the Proposal letter is approved and the Mayor is authorised to sign the Proposal letter on Council’s behalf.

**8. Attachments**

- 9. Attachment 1 - Audit NZ Proposal Letter June 2017

**Signatory**

Authoriser	David Bryant, General Manager Corporate
------------	---

7 June 2017

Ref: EN/LCA/4-0004  
H600Level 4, 127 Alexandra Street  
PO Box 256, Hamilton 3240[www.auditnz.govt.nz](http://www.auditnz.govt.nz)

Fax: 07 838 0508

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

Copy: Director Auditor Appointments  
 Office of the Auditor-General  
 PO Box 3928  
 Wellington 6140

Dear Andrew

**Proposal to conduct the audit of Hamilton City Council on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years**

**1 Introduction**

The Auditor-General has appointed me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2017, 2018 and 2019. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2017, 2018 and 2019 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

A BUSINESS UNIT OF THE CONTROLLER AND AUDITOR-GENERAL

## 2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

## 3 Entities covered by this proposal

This proposal covers the audits of:

- the Hamilton City Council; and
- its Debenture Trust Deed.

Separate proposal letters will be issued for the audits of subsidiary entities.

## 4 Key members of the audit team

Appointed Auditor	Leon Pieterse
Quality Control Reviewer	Jo Smail
Audit Manager	Jared Williams

## 5 Estimated audit hours

### 5.1 Annual attest audit

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

Audit team member	2016 budget	2016 actual	2017	2018	2019
Appointed Auditor	120	130	117	117	117
Quality Review Director	12	13	12	12	12
Audit Manager	160	136	156	156	156
Other CA qualified staff	240	416	430	430	430
Non CA qualified staff	480	329	295	295	295
Other specialists:					
Sector specialist support	15	15	12	12	12

Audit team member	2016 budget	2016 actual	2017	2018	2019
Information Systems	65	72	65	65	65
Specialist Assurance Services	28	3	16	16	16
Tax	4	2	4	4	4
<b>Total audit hours</b>	<b>1,124</b>	<b>1,116</b>	<b>1,107</b>	<b>1,107</b>	<b>1,107</b>

## 5.2 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for increased or decreased audit hours compared to previous period budgeted hours:	2017
Additional hours required as a result of increased Local Government reporting requirements	32
Reduction in audit hours due to efficiencies	(32)
Removal of hours relating to review of the Debenture Trust Deed reporting certificate	(17)
<b>Total increase (decrease) in audit hours</b>	<b>(17)</b>

### Increased Local Government reporting requirements

In recent years a number of additional disclosures have been incorporated into the legislative reporting requirements for Local Authorities. These disclosures include (but are not limited to) employee remuneration bands, funding impact statements, financial prudence benchmarks and insurance over assets. The hours required to audit these disclosures were not reflected in the previous Audit Proposal Letter.

### Debenture Trust Deed reporting certificate

The time cost associated with reviewing the City Council's Debenture Trust Deed reporting certificate has been separated within this proposal letter. Please refer to section 6.2 below.

### Reduction due to efficiencies

Efficiencies have been realised both within our audit approach, and the City Council's level of preparation for our audit visits, resulting in a reduction in hours required to complete aspects of our audit work.

## 6 Proposed audit fees

### 6.1 Annual attest audit

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

<b>Structure of audit fees</b>	<b>2016 budget</b>	<b>2016 actual</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net audit fee (excluding OAG overhead and disbursements)	207,089	204,292	208,749	211,332	212,972
OAG overhead charge	16,410	16,410	16,362	16,693	17,028
Adjustment to fee (excluding disbursements)	(24,499) <sup>1</sup>	(21,702) <sup>2</sup>	(16,111)	(8,025)	-
<b>Total audit fee (excluding disbursements)</b>	<b>199,000</b>	<b>199,000</b>	<b>209,000</b>	<b>220,000</b>	<b>230,000</b>
Estimated disbursements	3,000	4,136	3,000	3,000	3,000
<b>Total billable audit fees and charges</b>	<b>202,000</b>	<b>203,136</b>	<b>212,000</b>	<b>223,000</b>	<b>233,000</b>
GST	30,300	30,470	31,800	33,450	34,950
<b>Total (including GST)</b>	<b>232,300</b>	<b>233,606</b>	<b>243,800</b>	<b>256,450</b>	<b>267,950</b>

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG overhead charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

#### 6.1.1 Reasons for changes in audit fees

The main changes in cost components for future audits are:

<b>Reasons for increased or decreased audit fees compared to previous period budgeted fees.</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Predicted staff salary cost movements	2,212	2,914	2,773
Change in staff mix due to increasing complexity	3,495	-	-
Additional hours required as a result of increased Local Government reporting requirements	6,416	-	-
Removal of hours relating to review of the Debenture Trust Deed reporting certificate	(4,000)	-	-
Reduction in audit hours due to efficiencies achieved	(6,511)	-	-
Removal of discount previously given	8,388	8,086	7,227
<b>Total increase (decrease) in audit fees</b>	<b>10,000</b>	<b>11,000</b>	<b>10,000</b>

<sup>1</sup> Proposed discount based on estimated time costs

<sup>2</sup> Actual discount given based on actual time costs

### **6.1.2 Removal of discount previously given**

In the previous Audit Proposal Letter we agreed to provide the City Council with a discount to its audit fee over a fixed three year period. This discount reflected our agreement with Council that these funds could be better invested in improving the preparation and delivery of the City Council's Annual Report. We are pleased to note improvements in the preparation and delivery of the Annual Report over the past three years, and have reflected a reduction in audit hours as a result of these efficiencies. However, given the levels of write-offs sustained over the past three year period (as outlined in Appendix 1) we no longer propose to continue discounting the audit fee and propose to phase it out over three years.

### **6.2 Debenture Trust Deed**

We propose a separate annual fee of \$4,000 (excluding GST and disbursements) for the next three limited assurance reviews of the City Council's Debenture Trust Deed Reporting Certificate.

## **7 Assumptions relating to our audit fee**

Our proposed audit fees are based on the following assumptions:

- You will provide to us in a timely manner the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues with you and the OAG at the time.

## 8 What the OAG overhead charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities.

The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG overhead charge portion of the audit fee, to the OAG.

## 9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

## 10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Leon Pieterse  
Director

---

I accept the audit fees for the audit of the three financial years as stated above.

Full name: Andrew King Position: Mayor

Authorised signature: \_\_\_\_\_ Date: \_\_\_\_\_

Entity name: Hamilton City Council

**Actions to take when agreement has been reached:**

- 1 Keep a copy of this signed proposal for your file.
- 2 Send the original to: Leon Pieterse  
Director  
Audit New Zealand  
PO Box 1165  
Auckland 1140

## Appendix 1: Comparison of actual hours and fees to previous budget

### Prior year history – by hours

Audit hours	2014	2015-25 LTP	2015	2016
Budgeted	1,187	491	1,154	1,124
Actual	1,299	675	1,131	1,116
<b>Over/(under)</b>	<b>112</b>	<b>184</b>	<b>(23)</b>	<b>(8)</b>

### Prior year history – by cost

Audit cost	2014	2015-25 LTP	2015	2016
Budgeted <sup>3</sup>	199,000	108,000	199,000	199,000
Actual	247,778	131,667	212,519	220,702
<b>Overrun</b>	<b>48,778</b>	<b>23,667</b>	<b>13,519</b>	<b>21,702</b>

<sup>3</sup> This represents the amount actually charged to Hamilton City Council, excluding GST and disbursements

## Resolution to Exclude the Public

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

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Audit and Risk - Public Excluded Minutes - 14 March 2017	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. PWC - Internal Audit Update	) Official Information and Meetings Act 1987	
C3. Legal Update from Tompkins Wake	)	
C4. Overdue Debtor - Review of Account		

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 enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
Item C3.	to maintain legal professional privilege	Section 7 (2) (g)
Item C4.	to maintain legal professional privilege	Section 7 (2) (g)