

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Strategic Risk and Assurance Committee will be held on:

Date: Tuesday 18 June 2024
Time: 1.00pm
Meeting Room: Council Chamber and Audio-Visual Link
Venue: Municipal Building, Garden Place, Hamilton

Lance Vervoort
Chief Executive

Strategic Risk and Assurance Committee

Komiti Whakamauru Tuuraru

OPEN AGENDA

Membership

Chairperson Ms Keiran Horne
Heamana

Deputy Chairperson Mr Bruce Robertson
Heamana Tuarua

Members Mayor Paula Southgate
Deputy Mayor Angela O'Leary
Cr Maxine van Oosten
Cr Moko Tauariki
Cr Kesh Naidoo-Rauf
Cr Ewan Wilson
Cr Mark Donovan
Cr Sarah Thomson

Quorum: Four members (including one external appointee)

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

Amy Viggers
Mana Whakahaere
Governance Lead

10 June 2024

Telephone: 07 838 6699
Amy.Viggers@hcc.govt.nz
www.hamilton.govt.nz

Purpose:

1. The Strategic Risk and Assurance Committee is responsible for providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management and assurance framework and external reporting.
2. The committee will review the effectiveness of the following aspects of governance, risk, and resilience management and internal control:
 - risk and resilience management
 - internal and external audit and assurance
 - health, safety, and wellbeing
 - integrity and investigations
 - monitoring of compliance with laws and regulations

Terms of Reference:*Risk and Resilience*

3. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report six monthly to Council.
4. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
5. Review Council's strategic and organisational risk register and monitor existing controls and treatment actions.
6. Periodic in-depth reviews of specific, significant risks.
7. Monitor emerging risks and recommend to Council or management new strategic and organisational risks to be added to the strategic and organisational risk register.
8. Oversight of risk management and assurance across Council's CCOs and CCTOs with respect to risks that may have a significant impact on Council.
9. Review the adequacy and effectiveness of Council's health, safety and wellbeing and resilience (cybersecurity, protective security, business continuity, crisis, emergency, incident) management programmes.
10. Review the Fraud and Corruption, Protected Disclosure, Conflict of Interest, and Sensitive Expenditure management policies to ensure appropriate guidance and processes are in place.

Internal Audit

11. In conjunction with the Chief Executive, agree the scope of the annual internal audit work programme, having regard to Council's significant risks.
12. Monitor the delivery of the internal audit work programme to ensure the effectiveness of the Council's internal control framework.
13. Assess whether internal audit recommendations have been properly implemented by management.
14. Review the annual internal audit plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

External Audit

15. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.
16. Recommend to Council the terms and arrangements for the external audit programme.
17. Review the effectiveness of the Annual Plan audit and Long Term Plan audit.
18. Assess management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

Statutory Reporting

19. Review and monitor the integrity of the interim and annual report, focusing particularly on:
 - a) compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards
 - b) compliance with applicable legal requirements relevant to statutory reporting
 - c) the consistency of application of accounting policies as well as changes to accounting policies and practices that may affect the way that accounts are presented
 - d) any decisions involving significant judgment, estimation or uncertainty
 - e) the extent to which financial statements are affected by any unusual transactions and the manner in which these are disclosed
 - f) the disclosure of contingent liabilities and contingent assets
 - g) the clarity of disclosures generally
 - h) the basis for the adoption of the going concern assumption
 - i) significant adjustments resulting from the audit

Other Matters

20. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines.
21. Engage with internal and external auditors on any specific one-off audit assignments.
22. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
23. The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
24. Such other Matters referred to it by Council.

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.
- The Committee may request expert external advice through the Chief Executive where necessary.

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Council appoints two external members of the committee, one of whom shall be Chairperson. External members shall have a broad range of skills and experience including risk management, health, safety and wellbeing, accounting or audit experience; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election with no external members staying on Committee for longer than three (3) trienniums.
- The Chief Executive and any Internal Auditor(s) are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud, corruption or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Recommendatory Oversight of Policies and Bylaws:

- *Risk Management Council Policy*
- *Fraud and Corruption Management Policy*
- *Protected Disclosure Management Policy*
- *Conflict of Interest Management Policy*
- *Sensitive Expenditure Management Policy*

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies – <i>Tono aroha</i>	6
2	Confirmation of Agenda – <i>Whakatau raarangi take</i>	6
3	Conflict of Interest – <i>Tauaakii whaipanga</i>	6
4	Public Forum– <i>Aatea koorero</i>	6
5	Confirmation of the Strategic Risk and Assurance Open Minutes 26 March 2024	7
6	Chief Executive Report	14
7	Health & Safety Report - 1 February to 31 April 2024 (<i>Recommendation to the Council</i>)	17
8	Risk Management Report (<i>Recommendation to the Council</i>)	30
9	Crisis, Emergency, Incident, and Business Continuity Management Update	62
10	Compliance Reporting Update	66
11	Annual Pre-Renewal Insurance Report	81
12	Audit New Zealand Update (<i>Recommendation to the Council</i>)	94
13	KPMG - Internal Audit Update and Report	137
14	Organisational Improvement Report	170
15	Resolution to Exclude the Public	174

1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipaaanga*

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 – *Aatea koorero*

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 five minutes or longer at the discretion of the Chair.

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

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

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6699.

Council Report

Item 5

Committee: Strategic Risk and Assurance Committee
Date: 18 June 2024
Author: Charlotte Mitchell
Authoriser: Michelle Hawthorne
Position: Graduate Governance Support
Position: Governance and Assurance Manager
Report Name: Confirmation of the Strategic Risk and Assurance Open Minutes 26 March 2024

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

Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Strategic Risk and Assurance Committee confirm the Open Minutes of the Strategic Risk and Assurance Committee Meeting held on 26 March 2024 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Strategic Risk and Assurance Committee Open Unconfirmed Minutes 26 March 2024

Strategic Risk and Assurance Committee

Komiti Whakamauru Tuuraru

OPEN MINUTES

Minutes of a meeting of the Strategic Risk and Assurance Committee held in Council Chamber and Audio-Visual Link , Municipal Building, Garden Place, Hamilton on Thursday 28 March 2024 at 1.05pm.

PRESENT

Chairperson Ms Keiran Horne
Heamana

Deputy Chairperson Mr Bruce Robertson
Heamana Tuarua

Members Mayor Paula Southgate
Deputy Mayor Angela O’Leary (via Audio Visual Link)
Cr Maxine van Oosten
Cr Kesh Naidoo-Rauf
Cr Ewan Wilson
Cr Sarah Thompson (via Audio Visual Link)
Cr Mark Donovan
Cr Kesh Naidoo (via Audio Visual Link)

In Attendance: Maangai Jaydene Kana
Lance Vervoort – Chief Executive
David Bryant – General Manager Business Services
Andrew Parsons – General Manager Infrastructure and Assets
Blair Bowcott – General Manager Strategy, Growth & Planning
Sean Hickey – General Manager People, Performance & Culture
Tracey Musty – Finance Director
Marie Snowball – Safety and Wellness Lead
Nicholas Whittaker – Senior Risk and Resilience Advisor
Charlotte Chatmur - Sustainability & Climate Change Manager

Bineeta Nand and Murtaza Ali - KPMG representatives
Clarence Susan and Naude Kotze – Audit NZ representatives

Governance Team: Michelle Hawthorne – Governance and Assurance Unit Manager
Keryn Phillips and James Winston II – Governance Advisors
Charlotte Mitchell – Governance and Assurance Graduate

16. Apologies – Tono aroha
- Resolved: (Ms Horne/Mr Robertson)
- That the apologies for absence from Cr Tauariki and for lateness from Cr Naidoo-Rauf are accepted.

17. Confirmation of Agenda – *Whakatau raarangi take***Resolved:** (Ms Horne/Mr Robertson)

That the agenda is confirmed.

18. Declarations of Interest – *Tauaakii whaipanga*

No members of the Council declared a Conflict of Interest.

19. Public Forum – *Aatea koorero*

No members of the public wished to speak.

20. Confirmation of the Strategic Risk and Assurance Committee Open Minutes - 7 December 2023**Resolved:** (Cr Wilson/Mayor Southgate)

That the Strategic Risk and Assurance Committee confirm the Open Minutes of the Strategic Risk and Assurance Committee Meeting held on 7 December 2023 as a true and correct record.

*Item 13 (Chief Executive Report) was taken after item 5 (Confirmation of the Strategic Risk and Assurance Committee Open Minutes - 7 December 2023).***21. Chief Executive Report**

The Chief Executive spoke to his report in particular the restructure that was being undertaken.

Resolved: (Ms Horne/Cr Wilson)

That the Strategic Risk and Assurance Committee receives the report.

*Item 14 (Safety and Wellbeing Report - 1 November 2023 to 31 January 2024) was taken after item 13 (Chief Executive Report).***22. Safety and Wellbeing Report - 1 November 2023 to 31 January 2024 (Recommendation to the Council)**

Safety and Wellness Lead took the report as read. Staff responded to question from Members concerning how health and safety incidents are measured.

Resolved: (Cr Wilson/Cr van Oosten)

That the Strategic Risk and Assurance Committee:

- a) receives the report; and
- b) recommends that the Council receives the report.

*Item 9 (Risk Management Report) was taken after Item 14 (Safety and Wellbeing Report - 1 November 2023 to 31 January 2024).***23. Risk Management Report**

Senior Risk and Resilience Advisor spoke the report in particular the changes made to the Risk Management Policy. Staff responded to question from Member concerning the risks posed by political changes, the increased risk to elected members, our preparedness for emergencies, funding for climate change risks, and the Draft Risk Management Policy.

Resolved: (Mr Robertson/Cr Wilson)

That the Strategic Risk and Assurance Committee recommends that the Council:

- a) receives the report; and
- b) approves the Risk Management Policy, subject to the inclusion of contractors being added to scope section of the policy.

Item 7 (Internal Audit Update) was taken after Item 9 (Risk Management Report).

24. Internal Audit Update

The Finance Director and KPMG representatives spoke to the report and responded to questions from Members concerning regulatory compliance, and the climate change maturity review in 2025.

Motion: (Ms Horne/Mr Robertson)

That the Strategic Risk and Assurance Committee receives the report.

Amendment: (Deputy Mayor O'Leary/Cr Thomson)

That the Strategic Risk and Assurance Committee:

- a) receives the report;
- b) requests that a review of communication effectiveness be included as part of the 2024/25 Internal Audit Plan; and
- c) that the review should assess current communication processes for the following:
 - i. Misinformation identification - assessing the prevalence and sources of misinformation and false narratives externally that are affecting Council's reputation;
 - ii. Communication gap analysis - what gaps in external communication processes are occurring to allow misinformation to spread;
 - iii. Crisis/incidents communication readiness - evaluate Council's readiness to respond, what are the current communication plans for this and what are the gaps;
 - iv. Public perception - gauge public perception of Council in the light of misinformation and the effect on policy and/or decision making;
 - v. Social media monitoring - what is the effect on Council's ability to disseminate information in the current climate of mis and disinformation and the impact on effective decision making;
 - vi. Evaluate the effectiveness of fact-checking on Council channels including response times;
 - vii. Review Council's overall external communication strategy to identify opportunities for improvement.

The Amendment was put and declared CARRIED.

Those for the Amendment: Mayor Southgate, Mr Robertson, Deputy Mayor O'Leary, Crs van Oosten and Wilson.

Those against the Amendment: Ms Horne and Cr Donovan

The Amendment was declared CARRIED.

The Amendment as the Substantive Motion was then put and declared CARRIED.

Resolved: (Deputy Mayor O'Leary/Cr Thomson)

That the Strategic Risk and Assurance Committee:

- d) receives the report;
- e) requests that a review of communication effectiveness be included as part of the 2024/25 Internal Audit Plan; and
- f) that the review should assess current communication processes for the following:
 - i. Misinformation identification - assessing the prevalence and sources of misinformation and false narratives externally that are affecting Council's reputation;
 - ii. Communication gap analysis - what gaps in external communication processes are occurring to allow misinformation to spread;
 - iii. Crisis/incidents communication readiness - evaluate Council's readiness to respond, what are the current communication plans for this and what are the gaps;
 - iv. Public perception - gauge public perception of Council in the light of misinformation and the effect on policy and/or decision making;
 - v. Social media monitoring - what is the effect on Council's ability to disseminate information in the current climate of mis and disinformation and the impact on effective decision making;
 - vi. Evaluate the effectiveness of fact-checking on Council channels including response times;
 - vii. Review Council's overall external communication strategy to identify opportunities for improvement.

Dissenting Ms Keiran Horne.

The meeting was adjourned 1.47pm to 2.00pm during the discussion of the above item.

Cr Naidoo-Rauf joined the meeting (2.40pm) at the conclusion of the above item. She was not present when the matter was voted on.

Item 11 (Organisational Improvement Report) was taken after Item 7 (Internal Audit Update).

25. Organisational Improvement Report

The Finance Director outlined the report.

Resolved: (Cr Donovan/Cr van Oosten)

That the Strategic Risk and Assurance Committee receives the report.

26. Annual Report 2023/2024 Planning and Accounting Technical Review

The report was taken as read.

Resolved: (Ms Horne/Mr Robertson)

That the Strategic Risk and Assurance Committee receives the report.

27. Audit New Zealand Update

Representatives from Audit NZ took the report as read. They responded to questions from Members concerning the Hot Review date, the ability to deliver on time, the inefficiencies of Council that were mentioned in the engagement letter, and the increase in cost and how it was effected by inflation.

Staff Action: *Staff undertook to circulate information to Members regarding the cost increase as a result of the audit adjustment.*

Resolved: (Cr Wilson/Cr Donovan)
That the Strategic Risk and Assurance Committee receives the report.

Item 12 (2024 Council and Committees Schedule of Reports) was taken after Item 8 (Audit New Zealand Update).

28. 2024 Council and Committees Schedule of Reports

The report was taken as read.

Resolved: (Mayor Southgate/Ms Horne)
That the Strategic Risk and Assurance Committee receives the report.

29. Compliance Reporting Update

The report was taken as read.

Staff Action: *Staff undertook to investigate if the review of any policies could be deferred and that this would be included in future reports on the matter.*

Resolved: (Ms Horne/Mr Robertson)
That the Strategic Risk and Assurance Committee receives the report.

15. Resolution to Exclude the Public

Resolved: (Ms Horne/Mr Robertson)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Strategic Risk and Assurance Committee) Good reason to withhold) information exists under) Section 7 Local Government	Section 48(1)(a)

-
- Public Excluded Minutes -) Official Information and
7 December 2023) Meetings Act 1987
- C2. Organisational
Improvement Register -
Public Excluded
- C3. Legal Risks - Committee
Update
- C4. SR4 Loss of Information
or Access to Systems and
Services

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

- | | | |
|----------|--|---|
| Item C1. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C2. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C3. | to maintain legal professional privilege
to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (g)
Section 7 (2) (h)
Section 7 (2) (i) |
| Item C4. | to enable Council to carry out negotiations
to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest
to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (c) (ii)
Section 7 (2) (j) |

The meeting moved into a public excluded session at 3.01pm.

The meeting was declared closed at 3.30pm.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 18 June 2024
Author: Lance Vervoort
Authoriser: Lance Vervoort
Position: Chief Executive
Position: Chief Executive
Report Name: Chief Executive Report

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee (SRAC) of the key risks faced by Hamilton City Council that the Chief Executive would like to highlight.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. Key areas of interest to be highlighted at this meeting are the central government's policy direction, Council's Long-Term Plan, an update on Future Fit and the by-election for a Maaori Ward seat.
4. Other topics including risks, may be included in the verbal update should they become a matter of concern to the Chief Executive following submission of this report.
5. A more detailed review of Council's key risks is included in the Risk Management report and Safety and Wellness report to this Committee meeting.
6. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Central Government Policy Direction

7. Central Government policy implementation continues at a rapid pace.
8. The Local Government (Water Services Preliminary Arrangements) Bill (Preliminary Arrangements Bill) was introduced into Parliament late last week. This is the first Bill implementing Local Water Done Well, with the second to follow in December 2024.
9. In addition, the Fast-track Approvals Bill has been introduced. The purpose of the Fast-track Approvals Bill is to provide a streamlined decision-making process to facilitate the delivery of infrastructure and development projects with significant regional or national benefits.
10. A further significant policy shift is Central Government changes to the Local Electoral Act 2001 that it will reinstate the ability for communities to petition their councils for binding polls on

the establishment of Māori wards and constituencies. This reverses the changes that were made in March 2021.

11. Councils that established a Māori ward without holding a poll following the 2021 changes will be required to hold a poll at the 2025 local elections. If a council does not want to hold a poll at the 2025 local elections they will have the option to reverse their decisions on Māori wards. This would involve rescinding the decision if it has not yet been implemented, or disestablishing Māori wards if they are already in place.

Long-Term Plan

12. The economic outlook, financial pressures, and legislative compliance continue to create challenges for Council's long-term plan process. Since the previous update the Waters activity has now been included into the LTP.
13. Between March and April Council consulted the community on the draft LTP document, at the time of writing this report deliberations on the draft LTP were underway.
14. New Zealand has entered a recession while Hamilton has seen lower levels of growth. Development confidence is low and residential consenting has fallen 33% from its peak in 2021, and it is expected to fall further still. Soft demand from buyers, high borrowing costs and high build costs are making development difficult. Residential consenting makes up about 75% of development contribution revenue. As a result of low consenting, staff revised the development contribution revenue forecast down \$4M for the 2024 financial year.
15. A key focus has been cutting the proposed rates increase to ease the financial burden on ratepayers and looking at maintaining debt headroom.

Future Fit – Phase 2

16. Tranche Two of Future Fit began on 12 March with consultation on the group reviews open between the 12th and 27th March. The structure was confirmed in April with implementation of the new Tranche Two structure from 13 May.
17. Staff wellbeing through these significant changes has been a priority and additional resources are available for all staff throughout this process.

By-election

18. A second by-election is underway for the Hamilton Kirikiriroa Māori Ward, following the resignation of Cr Melaina Huaki on 7 May 2024.
19. Under the Local Electoral Act 2001 (LEA) Melaina Huaki's resignation takes effect immediately and a by-election is required because the resignation has occurred more than 12 months before the next triennial general election. This is provided for under Part 6, Section 117(1) of the LEA.
20. Key dates for the by-election are as follows:

i. Nominations open	14 May 2024
ii. Nominations close	11 June 2024
iii. Voting opens	16 July 2024
iv. Voting closes	Noon, 7 August 2024
v. Results declared	Provisional 8 August 2024
vi. Swearing in ceremony	Provisional 13 August 2024

Financial Considerations - *Whaiwhakaaro Puutea*

21. There are no financial implications in relation to receiving this report.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

22. Staff consider the matter of this report to be of low significance and that the recommendations comply with Council's legal requirements.
23. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matter(s) in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

24. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
25. The subject matter of this report has been evaluated in terms of the ('the 4 wellbeings') during the process of developing this report.
26. The recommendations set out in this report are consistent with that purpose.
27. No known social, economic, environmental, or cultural considerations were identified in the development of this report.

Risks - *Tuuraru*

28. There are no known risks associated with the recommendation of this report.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

29. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance and no engagement is required.

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Item 7

Committee: Strategic Risk and Assurance Committee

Date: 18 June 2024

Author: Dan Finn

Authoriser: Sean Hickey

Position: People, Safety & Wellness Manager

Position: General Manager People, Performance and Culture

Report Name: Health & Safety Report - 1 February to 31 April 2024

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on safety and wellbeing progress, performance, and activities for the period covering 1 February to 31 April 2024.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Strategic Risk and Assurance Committee recommends that the Council receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. This report is focussed on our continued progress of key strategic activities that are aligned to risks, relationships, and resources. To provide the Committee with a more comprehensive overview of our progress, we have included supplementary updates on wider activities, assurance, and successes.
4. There were a high number of safety events during this reporting period, including 15 lost time injuries (LTIs), 14 medical treatment events, and 1 notifiable event reported to WorkSafe by Council.
5. We continue to focus our efforts on ISO45001 and are auditing sites across Council to verify standards and practices. Following guidance, we have shifted our primary focus to concentrate on those facilities and business units who have the highest critical risk exposure within the areas they operate. This change in approach will enable Council to undertake an external audit towards the end of this year.
6. Staff have had the opportunity to access free annual health checks and flu vaccinations during this reporting period as we continue to promote important health initiatives that support our wider wellbeing approach. Both programmes were facilitated on site(s), minimising disruption to work and improving access so that more of our staff can benefit from these offering.

7. Following changes to team structures as part of our Future Fit Program, we have continued to support our staff through resilience training and leading through change workshops for our people leaders. As key decisions were being confirmed and communicated, we also arranged onsite support to be available for staff directly impacted by changes, as well as continuing to promote EAP services that remain available to all staff.
8. Staff consider the matters highlighted in this report to have a low significance and there are no recommendations of note.

Discussion - *Matapaki*

Strategic Progress – *Te ahunga whakamua rautaki*

9. The following workstreams continue to be presented to this Committee and are meant to outline the progress achieved on our remaining ‘safety reset’ activities. These programs were designed to strengthen and support our wider safety and wellbeing strategy.

Workstream	Status	Next milestone	Comment
SafePlus review recommendations	100%	Completed	Completed
SMS development and implementation	100%	Completed	Completed
Technology and communication (Ora)	100%	Completed	Completed
Critical risk management	90%	All 13 critical risk assessments have been completed and the results inputted into the Bowtie Risk Assessment software.	Future Fit has impacted some original project team members that were involved, and this will require a reset to ensure appropriate representation is re-established
Contractor management	100%	To support business units and operational teams in the management of contractors, training continues to be provided	The rollout of the ‘Who’s on Location’ contractor induction software continues with the addition of the Museum having this operating and both the Zoo and Hamilton Gardens well underway.
Resourcing and structure review	100%	Completed	Completed
<i>Table 1 Key workstreams</i>			

Risks and Incidents – *Ngaa Tuuraru me nga Paanga*

10. During this reporting period the organisation completed the second tranche of its Future Fit Program, designed to improve efficiencies through changes in structure and job design. Whilst these changes were part of a positive shift forward to improve ways of working, many staff were directly impacted, which can create risk, as we know that during times of uncertainty and significant change staff can become less focussed on job tasks and/or are less engaged in what they are doing.
11. The incidents profiled during this reporting period are summarised below:
 - i. There was a total of **222** events reported in Ora during this period, which resulted in **49** injuries, compared to **55** during the previous period. Of those injured, **15** resulted in lost time and **14** required medical treatment.

- ii. As a comparison to the same period last year, there was a total of **80** injuries reported. Of those injured, **8** resulted in lost time and **15** required medical treatment.



- iii. The number of lost time injuries (LTIs) has more than doubled during this quarter compared to the previous period. More than half of these were manual handling injuries, and in particular sprains and strains across different business units. We continue to promote manual handling training for those business units who undertake manual works in an endeavour to be more proactive in this space.

Council WorkSafe Notifiable Events

12. There was **1** event that was notified to WorkSafe by Council.
13. An employee received an electric shock when they touched a metal slide down door handle to close a dumb-waiter lift in the wastewater laboratory, that was touching an exposed wire.
14. Further details of this notifiable event can be found in **Attachment 1**. WorkSafe have notified Council that they will not be requiring any further investigation.

Contractor WorkSafe Notifiable Events

15. There was **1** event that was notified to WorkSafe by an external contractor, who was performing work on our behalf. They were digging trenches for cables/conduits when a gas pipe was struck.
16. Further details of this notifiable event can be found in **Attachment 2**.

Relationships – Whanaungatanga

17. **168** staff from across a number of Council sites took up the offer of a free onsite voluntary health check during this period. The health checks included testing for blood pressure, BMI, glucose, and cholesterol.
18. Flu shots were also the order of the day with **378** staff attending an onsite clinic to receive their vaccination, with a further **40** staff utilising the voucher system, attending one of the designated local pharmacies who offer this service on our behalf.
19. The Safety Governance Committee (SGC) met on the 19th of March, and the meeting minutes are provided as **Attachment 3**.

20. The Committee continues to provide important guidance and strategic oversight across all areas of Council and has been further enhanced by now including all ELT as members. A regular and important agenda topic is learning from the experiences of frontline workers who are exposed to critical risk(s) through the course of their daily duties. Committee members have gained valuable insights from visiting different facilities each quarter, where the different critical risk(s) relevant to that facility are profiled.
21. The next Committee meeting is scheduled for the 11th of June 2024, and will showcase important work undertaken by the Parks & Recreation Teams. The critical risks that will be profiled include working at heights, working with plant and machinery, moving vehicles in a workplace and hazardous substances.

Resources – *Rauemi*

22. Changes to team structures as part of our Future Fit Program have had some impact on the Health & Safety Team, with one position being disestablished. Role responsibilities and job functions have been absorbed by the remaining Health and Safety team or transferred to other teams within the wider People, Safety and Wellbeing Business Unit.
23. Changes to how some work is undertaken is now being implemented, as well as a closer relationship being established through more formal reporting lines, with other health and safety resources that remain decentralised and embedded within other business units and groups. This change has been a positive shift with further improvement around collaboration, collegial support across teams and improved reporting to follow.

Assurance – *Kii Taurangi*

24. Looking after staff who get injured at work is an important part of our work injury management procedure(s). To support continuous improvement, we have introduced a new step within our Promapp process to ensure that ELT members are also notified when an employee is put off work as a result of a work injury. Ensuring that senior management have oversight and assurance that such events are being investigated, that learnings are shared and more importantly that we start to become more proactive with solutions to prevent reoccurrence is paramount.
25. There has been renewed interest from some business units for the face-to-face injury management training for People Leaders, which we are working hard to accommodate. We have also commissioned an online injury management module, which we will be launching shortly, as part of our commitment towards continuous improvement.
26. Eight internal ISO45001 audits have been completed across sites during this reporting period with a priority focus on those business units which are exposed to higher risk. The audits have gone well and have highlighted some great work being done, along with areas for improvement. Relevant General Managers, Business Unit Directors and those involved in the audit process will receive a finalised report highlighting areas for improvement.
27. Our Health & Safety Business Partners will be on-hand to support these areas to implement their improvement plans as we prepare for ISO accreditation towards the end of this year (yet to be confirmed).

Successes – *Angituutanga*

28. Our Safety Incident Management System - Ora continues to provide a single source of truth for our safety and risk reporting. To ensure that Ora continues to evolve and meets our operational and customer requirements a new site Hazard & Risk Register template has been developed. Along with a focus on risk management training, this new enhancement will be rolled out across the organisation over the coming months.

29. The Parks & Recreation Teams met in March of this year to outline key health and safety principles and expectations as part of their roles and responsibilities. The areas they covered off included culture, risk management, machine maintenance/housekeeping, vehicles, routine checks, hazardous substances, bylaws and reporting. It is great to see teams taking a proactive and deliberate approach for helping keep themselves and others safe.

Financial Considerations - *Whaiwhakaaro Puutea*

30. This is a regular operating activity funded through the Long-Term Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

31. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.
32. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matter(s) in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

33. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
34. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
35. The recommendations set out in this report are consistent with that purpose.

Social

36. The matters highlighted in this report may have the capacity to affect social wellbeing should they materialise. Social wellbeing continues to be prioritised and is considered alongside Council's risk management processes.

Economic

37. The matters highlighted in this report may have the capacity to affect economic wellbeing should they materialise. Identifying and measuring the economic costs of accidents, the relationship between operational requirements and safety and determining the inter-relationship between safety and other organisational goals and priorities. Economic wellbeing continues to be prioritised and is considered alongside Council's risk management processes.

Environmental

38. The matters highlighted in this report may have the capacity to affect environmental wellbeing should they materialise. Environmental protection includes programmes to reduce risks to the environment from contaminants like hazardous materials and waste. Environmental wellbeing continues to be prioritised and is considered alongside Council's risk management processes.

Cultural

39. Staff consider the matters highlighted in this report do not have a direct impact on cultural wellbeing.

Risks - *Tuuraru*

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

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

41. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.
42. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - WorkSafe Notifiable Event – 8 April (Council)

Attachment 2 - WorkSafe Notifiable Event – 22nd February (Contractor)

Attachment 3 - Safety Governance Meeting Minutes

WorkSafe Notifiable Event

DATE OF EVENT:	8 April 2024
LOCATION:	Pukete Waste Water Treatment Plant, 315 Pukete Road, Hamilton
BUSINESS GROUP INVOLVED:	Water Services, Infrastructure Operations
WHAT HAPPENED?	An employee went to close the slide down door of the dumb waiter (equipment lift for moving sampling and analysis equipment between floors) located in the laboratory. As they touched the metal door handle they received an electric shock that travelled up their left arm and across their upper chest to their right upper arm.
WHAT IMMEDIATE ACTION HAS BEEN TAKEN:	<p>The employee informed their Supervisor immediately.</p> <p>The supervisor checked that the employee was okay. The employee was transported to the local medical centre for assessment.</p> <p>They then placed a warning sign on the door and taped the door so it could not be used by anyone else.</p> <p>The supervisor reported the event to the internal electrical team who assessed the dumb waiter, locating what they believed was the causation of the shock and turned off the power switch.</p>
NEXT STEPS:	<ul style="list-style-type: none"> • An electrician isolated the power source. • An inhouse investigation has been undertaken. Order No. 02820 • WorkSafe have been notified. Ref: 00068496

Item 7

Attachment 1

WorkSafe Notifiable Event

DATE OF EVENT:	22 February 2024
LOCATION:	Enderley Park, Enderley, Hamilton 3214, New Zealand
BUSINESS GROUP INVOLVED:	Capital Projects Development Group
WHAT HAPPENED?	A contracting company was installing electrical conduit and cables in Enderley Park for the sports field lighting. They were digging trenches for the cables/conduits when a gas pipe was struck by their digger.
WHAT IMMEDIATE ACTION HAS BEEN TAKEN:	Work was stopped, the Community Centre was evacuated and fire services plus Vector were called to the site. The site was made safe with the gas turned off and Vector remained on site to fix the pipe. People were allowed to return to the Community Centre.
NEXT STEPS:	<ul style="list-style-type: none"> - WorkSafe were notified by the Contractor. - An investigation has been completed by the Contractor with all information, including corrective actions recorded within Ora. - Event entered into Ora # 02699

Meeting Minutes

Item 7

Safety Governance Committee

Time and date:	1:00pm, Tuesday 19 th March 2024
Venue:	Waste Water Treatment Plant, Pukete
In Attendance:	Greg Dearsly (Independent Chair), Sean Hickey (GM People Performance and Culture), Helen Paki (GM Customer & Community), Louise Lukin (Director CE and Mayoral Offices), Ewan Wilson (Elected Member), Marie Snowball (Safety & Wellbeing Lead), Olly Te Ua (Māori Rep), Andrew Brosnan (H&S Business Partner), Amanda Barlow (H&S Business Partner - Minutes).
Guests:	Karl Hjelmstrom (Emergency Response Engineer), Marc Rohrlach (H&S Permit to work coordinator), Renee Bradley (Plant Operator – HSR), Martin Scott (Lead Plant Operator)
Apologies:	Lance Vervoort (Chief Executive), Andrew Parsons (GM – Infrastructure and Assets), Dan Finn (People, Safety & Wellbeing Manager), Claire Toko (Venues Tourism and Events), Janet Carson (GM Partnerships), David Bryant (GM Business Services), Blair Bowcott (GM – Strategy, Growth and Planning), Maurice Davis (AWUNZ)

1. Welcome

Up and coming changes in review of regulations for plant, structures and working at heights legislation – possible opportunities for feedback submissions. Still waiting for more information on this.

Bowtie Risk Assessment project – the software has been downloaded on an HCC device and have completed the first stage of reviewing controls out in the business. Looking to re-establish the project groups following changes to positions through Future Fit and reallocating GM sponsorship to be able to communicate out to the business units.

Discussion by Greg to highlight the purpose of this meeting to new members in the group and guests.

2. Confirmation of previous minutes and review of the Action Register

The minutes of the Safety Governance Committee Meeting held Tuesday 4 December 2023 have been confirmed.

Moved by: Sean Hickey

Seconded by: Helen Paki

3. Insights from our staff at the Pukete Wastewater Plant, including those critical risks faced by them - Working with Energy Sources, Working Over or Near Water, Working at Height, Driving for Work, Moving vehicles in a Workplace, Hazardous Substances and Lone Working.

- Discussion on the improvements of water quality over the years (a small history of wastewater of Hamilton City) and the changes to the plant.
- Overview of the process of the waste coming into the plant. Separation of solids from liquid.
- Utilising more sustainable methods of disposing of the final product of the process.
- Technology allows for the site to be operated remotely with on-call staff.
- Permit to work system implemented in the treatment plant to better manage the risks and contractors.
- Immunisation scheme in place for staff and health monitoring.
- Increased automated processes to prevent manual operation (control to prevent handling waste).

Attachment 3

Meeting Minutes

- Roster discussed and the risk of fatigue. Measures put in place to manage fatigue.
- Maintenance of the infrastructure outside of the plant conducted by City Delivery, another section of Hamilton City Council.
- Hazards of the site discussed:
 - Confined Spaces – managed through the permit to work system. Usually undertaken through planned work. Only allowing people trained in confined spaces to enter. Discussion on gas detectors and use.
 - Electrical hazard – pot holing and other methods used to prevent coming into contact when digging.
 - Open tanks – risks with the aeration tanks where they are around 6m deep. Controls in place to prevent workers falling in (e.g., handrailing, clip on with harness).
 - The risks presented with remote operation. Lock out system is very thorough.
 - Traffic - a lot of moving traffic around the plant.
 - Contractor supervision and the importance of monitoring the contractors. The challenges that are faced when using contractors. Clear induction process in place for inducting contractors, where individual contractors are not performing and/or putting others at risk, they are asked not to return back to site. The permit to work system allows for several jobs taking place across the site. Permits are issued on a grading system, the higher the level of risk the higher grade they are given.
 - Six operators are on site and there could be up to 100 contractors on site at one time which presents a challenge. Contractor management process in place to help with the challenges. Looking to do some more training with job organisers to ensure they understand the process of managing contractors at the plant to better support the processes in place.

4. Health monitoring – Biological risk/hygiene

- Hygiene and the management of it on site helps to keep staff safe. PPE and cleaning stations available out on site. Run a daily cleaning schedule to prevent the need to open up the pipes and come into contact with the raw sewage. Rules in place to prevent contamination coming inside the office area. Overalls are washed by a contractor company to prevent taking contaminated clothing home.

5. A tour around the complex by staff

Meeting attendees went for a walk around the plant to get a first-hand experience of the process.

5. General Discussion – around the table

Louise – Great to get an overview of the hazards that are present here on site.

Marie – Great to get an understanding of what takes place on site, re-enforces the need for health monitoring.

Sean – Through conversations with safety team good to understand that as a whole health and safety is on point.

Helen – Great to get an understanding from an LTP perspective of how to support going forward and being reassured by the expertise of the team.

Plant Team – Thank you for coming today.

6. Actions assigned from meeting

No actions assigned from the meeting.

MeMeeting closed: 3.26 pm

Meeting Minutes

Item 7

Attachment 3

7. Completed Actions Register

Action	Assigned To	Due Date	Comments	Status
Review regulations for Plant, Structures and Working at heights and consider how these will apply to HCC.	Marie	Ongoing	Considered approach using the hierarchy of control MBIE is quiet, Q1 should have a draft, main difference is written requirements. Toward end of 2023 introduction of the law.	Ongoing – due to the pending election later this year
Need to follow up the need to have an independent person to review the critical risks in relation to plant and machinery to have a specialist in the field to review. No outcome was recorded from previous meeting.	Marie Snowball	Next meeting	Complete an independent review. Have someone be more involved. Include specialist advice. <i>Decision to be made – do we understand everything associated with this risk and if we need to source independent advice?</i>	Ongoing
Plant, Structures and Working at heights – New regulations	S&W Team	Next meeting	Amanda Barlow presented on this item during this meeting	Completed
Changes to be made to TOR Safety Governance Committee <ul style="list-style-type: none"> Part of ELT's role is being informed through this committee. Adapt the wording of the roles and responsibilities to align with this Under the section: amend wording to "advice, provide assurance and recommendations to the strategic leadership team" Amend job titles of the members to correct them Need for the learnings and outcomes of this meeting. Lance to discuss with Dan. 	Marie Snowball	Next meeting	Terms of Reference document updated.	Closed

Meeting Minutes

Share with HSR's				
Question the need for plant (table saws) to be put on assets register. Look at Ungerbok and review if plant and other similar plant is on the register for H3 as unsure this is currently happening.	Claire Toko	Next meeting	Assets over \$5000 are captured in UngerBok. If there are specific items we wish to capture, then it is possible.	Closed
Looking at make-up of committee.	Dan	Next meeting	Eeva-Liisa should be here from Infrastructure Operations. Their group has a lot of critical risks areas. Let's review annually, we might swap areas around, so all the exec team gets some exposure.	Completed
It was agreed more time was required to digest the Monitoring What Matters survey results and discuss at next meeting.	Dan Finn	Next meeting		Completed
Further follow up from Governance to confirm Safety and Wellness updates to be included at full Council Meetings.	Dan Finn		Dan to discuss with Becca, more discussion on that. Minutes and reports will go to full council and SRA - quarterly	Completed
Ensure presentations and documents relating to the next meeting are sent out in advance	Marie/Dan	Next meeting	To provide members with time to review and consider questions as part of the discussion	Completed
Investigate if the Chaplain/Counsellor service could be rolled out across the whole Organisation.	Marie Snowball	Next meeting	Service can be scaled up if require, based on interest and operational need	Completed

Meeting Minutes

Speak to Lee-Ann Jordan and Kelvin Powell on setting up interdepartmental learning with Mark's team/leadership.	Helen Paki	Next meeting	A new role has been created which will pick this up	Completed
Lance to confirm with Ewan and Olly if they would like to stay on the Committee	Marie	Next Meeting	Confirmed that Ewan and Ollie will continue on the committee	Closed

The meeting was declared closed at 3:26pm

Next Meeting: June

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 18 June 2024
Author: Nicholas Whittaker
Authoriser: David Bryant
Position: Senior Risk and Resilience Advisor
Position: General Manager Business Services
Report Name: Risk Management Report

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on the status of Hamilton City Council's nine strategic risks, three organisational risks and any potentially significant emerging risks.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Strategic Risk and Assurance Committee recommends that the Council receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. Hamilton City Council's strategic and organisational risks have been reviewed over the last quarter and have been updated to reflect the changing environment.
4. Council continues to implement the relevant corrective controls for **Strategic Risk 2** as we navigate a tough economic climate.
5. The residual risk for **Strategic Risk 7** has been reduced from High to Medium. This is to reflect the lower residual likelihood rating reflecting the current market and environmental conditions.
6. **Organisational Risk 3** contains two specific updates, one reporting back to the Committee from February's WWTP damage, and the other an issue identified at Willoughby Street closed landfill.
7. An emerging Organisational risk has been identified this quarter relating to **Lake Taupo Levels**. Current data trends reflect a lower-than-average level which if it declines further may require HCC to implement its low river response. Staff continue to monitor the situation and are actively managing the risks.
8. Staff consider the matters in this report have medium significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Strategic Risk 1 – Failure to Respond to a Disaster

9. This risk description is 'A lack of preparedness leads to a **failure to respond or an ineffective response to a natural or human induced disaster event** resulting in compromised community resilience.' This risk links to Strategic Risk 4 – Loss of information or access to systems, Strategic Risk 8 – Failure to respond to a crisis or emergency and Strategic Risk 9 – Failure to respond to climate change.
10. There is no change to the residual risk rating for this risk – it remains at very high. This sits outside of our appetite of 'cautious'.
11. In 2023 an Emergency Management Bill was introduced to Parliament. The Minister determined that the Bill would not deliver the integrated, fit-for-purpose emergency management framework that New Zealand needs, including the requirements identified in various reviews post the 2023 North Island Weather Events. A new Bill is expected will be introduced at some point in the Governments term.
12. In April HCC had its bi-annual external Capability Assessment. The assessment score of 76.3% was a very modest improvement of 1.2% over our 2022 assessment result. The report largely mirrors that 2022 findings around identified areas of strength and future development opportunities. The additional identified area for focus the number of CDEM trained staff.
13. In May we completed our annual Emergency Management exercise, which is a requirement under Annual Plan reporting. We are currently awaiting final assessment results.

Strategic Risk 2 – Significant Negative Impact on Financial Strategy

14. This risk description is 'A major economic or financial shock event **negatively impacts Council's financial strategy, fiscal and monetary position** resulting in significant financial pressure on Council.' This risk links to Strategic Risk 7 – Failure to deliver our work programmes.
15. There is no change to the residual risk rating for this risk – it remains at medium. This sits within our appetite of 'cautious'.
16. New Zealand has entered a recession while Hamilton has seen low levels of growth. Development confidence is incredibly low and residential consenting has fallen 33% from its peak in 2021, and it is expected to fall further still. Soft demand from buyers, high borrowing costs and high build costs are making development difficult. Residential consenting makes up about 75% of development contribution revenue. As a result of low consenting, staff revised the development contribution revenue forecast down \$4M for the 2024 financial year.
17. The downturn in the economy is orchestrated by the RBNZ in order to bring down inflation. The RBNZ expects to loosen interest rates from early next year which will help improve demand for housing, goods and services. The next 1-2 years are expected to be difficult for households, developers and businesses.
18. Staff will continue to actively monitor and report on economic conditions and their impact on Development Contribution revenue, capital expenditure and operational budgets.
19. Reflective of the controls for Strategic Risk 2 the pressures on Council's budget are being closely managed through forecasting to the end of 2023/24 and the current Long-Term Plan process for 2024-34 in particular as part of the development of the significant assumptions and related policies for the Long-Term Plan. In line with this, the risk treatment has been updated from accept to mitigate while these processes continue.

Strategic Risk 3 – Failure to Meet Compliance Standards

20. This risk description is 'Compliance requirements from Central Government and regional council or changes in community expectations leads to a **failure to meet compliance standards** resulting in increased exposure to litigation.' This risk links to Strategic Risk 6 – Political changes negatively impact strategic direction.
21. There is no change to the residual risk rating for this risk – it remains at high. This sits within our appetite of 'neutral'.
22. Central Government continues to enact legislation at pace that impacts local government, water reforms, Maaori Ward provisions in the Local Electoral Act 2001 and 'fast track' consents are three streams of the more significant changes currently taking place.

Strategic Risk 4 – Loss of Information or Access to Systems and Services

23. The risk description is 'In the event of a cyber-attack, IT service or technology asset failure there is a risk that **confidential information and / or Council services are compromised or fail and / or there is a loss of information** resulting in ongoing reputational, legal, and financial consequences.
24. There is no change to the residual risk rating for this risk – it remains at very high. This sits outside of our appetite of 'neutral'.
25. Commentary and treatment plans relating to this risk contains confidential and commercially sensitive information and are covered in the Loss of Information or Access to Systems Report presented to the Committee in the public excluded part of this meeting.

Strategic Risk 5 – Failure to Deliver Growth Outcomes

26. This risk description is 'Step-changes in growth requirements or demand or consequences of growth means **Council can't deliver expected growth outcomes** resulting in increased costs and the perception that growth delivers negative outcomes for the community.'
27. There is no change to the residual risk rating for this risk – it remains at high. This sits within our appetite of 'neutral'.
28. Government has introduced the Fast Track Approvals Bill which is set to be passed into law Q3 2024 which is likely to include urban development proposals. We are aware that there are a number of fast-track applications in and around Hamilton of scale. Coupled with this, the Government intends on introducing Phase two RMA Amendment Bill late 2024 which will require councils to zone 30-years of growth. Given HCC is the fastest growing metropolitan Council in NZ and fourth largest, these policies are likely to directly affect the Council. The funding implications of these policy changes on Council need to be considered.
29. Adverse economic environment and increasing development contributions (DCs) could slow development and compromise Council DC revenue which funds growth infrastructure, in the next 12-24 months. A number of submitters on Council's Long-Term Plan requested that the draft DC Policy be deferred, and a 'Working Group' be established with the purpose of collectively agreeing a new policy approach. The working group was proposed to be made up of members of the developer community and Council representatives. This course of action is not recommended. The LGA requires Council to review its development contributions policy at least every three years, and to undertake public consultation on any proposed changes. Legal advice is that taking the current public consultation 'offline' with one stakeholder group would be contrary to an even-handed public consultation process and would create legal risk. In addition, delaying the adoption of a new DC Policy would put the policy out of sync with the adoption of the LTP, and other funding and financing policies. Legal advice strongly recommends maintaining alignment with the adoption of these policies and the LTP.

Strategic Risk 6 – Political Changes Negatively Impact Strategic Direction

30. This risk description is 'Political stakeholders make unanticipated changes or decisions or take actions that negatively impact Council's strategic direction resulting in significant changes to Council's form or function, resourcing and work programme.' This risk links to SR3 – Failure to meet compliance standards.
31. There is no change to the residual risk rating for this risk – it remains at very high. This sits within our appetite of 'receptive'.
32. The coalition government has enacted a number of significant changes to legislation which will impact on the business of council, including repealing the previous Government's replacement legislation for the Resource Management Act, and Three Waters legislation.
33. There is limited information on what will replace these key pieces of legislation; however council staff continue to participate in central government working groups and engage with agencies and Ministries to gain further detail.

Three Waters

34. Prior to the election, National signalled that they will repeal Three waters legislation and replace it with a system "that ensures drinking water, stormwater and wastewater remain in local control" called Waters Done Well.
35. The repeal (now complete) will disestablish the water entities, keeping water assets in councils' hands.
36. The Local Government (Water Services Preliminary Arrangements) Bill (Preliminary Arrangements Bill) was introduced into Parliament late last week. This is the first Bill implementing Local Water Done Well, with the second to follow in December 2024. The Bill is referred to Select Committee with the intention of it being passed into law by the end of July / early August.
37. The second bill - to be introduced in December and passed by the middle of 2025 - will set out long-term financial sustainability requirements, establish a range of structural and financing tools, including a new type of financially independent council-controlled organisation. It will also include regulatory backstop powers, allowing the government to intervene if the entities got into trouble financially. The legislation will also set up an economic regulation regime but there is limited detail on this to date.
38. Council staff continue to keep a watching brief on any further detail that will provide certainty for council.

Resource Management

39. The government has repealed both the Natural and Built Environment Act and the Spatial Planning Act December 2023.
40. Work has commenced implementing the National Party '[Going for Housing Growth](#)' plan that includes a longer-term project to reform the Resource Management Act. In advance of full reform, Government has released a Fast Track Consenting Bill which council has submitted on, as well as infrastructure projects for inclusion in Schedule a of the new Act. The aim of the Bill is to enable development at speed that will deliver significant economic, GDP and housing outcomes.
41. Government has made it clear in press-releases in early 2024 that the requirement to zone for 30-years of supply to meet demand will be mandated through legislation with funding and financing levers to support infrastructure, granny-flats will be enabled by law.

Strategic Risk 7 – Failure to deliver our Work Programmes

42. This risk description is 'An ongoing shortage of necessary resources (people and materials) means **Council is unable to deliver our work programmes** resulting in constrained growth and negative long-term outcomes for the community.' This risk links to Strategic Risk 2 – Significant negative impact on financial strategy.
43. The residual risk rating for this risk has been reduced from high to medium. This sits within our appetite of 'neutral'.
44. The residual likelihood of this risk has been reduced from possible to unlikely in reflection of the current environmental factors.
 - i. With the issuing of the government 100-day plan, there is no indication of new or additional work being funded or further progressed in areas relevant to Local Government.
 - ii. There is uncertainty regarding central government funding for projects of work that are in planning but may not align with the focus of the government's ideas of national infrastructure development. This increases the risk of being unable to deliver current projects that are already in the pipeline but reduces the risk of future projects.
 - iii. There is also the possibility of new projects in yet unanticipated areas, and uncertainty of Local Water Done Well, however this is not impacting on present work.
 - iv. A further consideration with a change of government is increased uncertainty around whether the economy slowdown will be reversed which may then, in turn increase competition for contracts. We are aware that local contractors have been impacted by cuts in work programmes across the Waikato region and are eager to bid and secure work, and this supports the reduced likelihood rating.
 - v. We continue to closely monitor our ability to deliver our work programmes as it continues to be impacted by external factors (such as those mentioned above) even though we have been successful in obtaining Central Government funding for some aspects.
45. Consistent poor weather over the traditional summer months has had an impact on the progress and cost of some projects and the national workload following the January -February 2023 cyclones. This poor weather continued through into August 2023 and the impacts on cost and programme were significant, particularly on some of the larger infrastructure projects like Peacocke and Borman Road. Cost and time implications were worked through contractually and are ongoing coming into the summer season. This has a knock-on effect for the overall programme.
46. Internal resourcing requirements continue to be reviewed as part of each long-term or annual plan process. With the recent restructure, the "Breathe In Breathe Out" model has been adopted for delivery. Supply chain insights are routinely obtained through close relationships with the construction industry and ongoing collaboration with the Te Waihangā /NZ Infrastructure Commission, and the Waikato Branch of Civil Contractors NZ (CCNZ), including provision of pipeline of work opportunities to CCNZ.
47. The annual Waikato Construction Industry Update is scheduled for July 2024, with Hamilton City Council and the Infrastructure Commission presenting. Te Waihangā will be presenting the Pipeline of active and planned infrastructure projects for Waikato. In this session they will illustrate an aggregate picture of infrastructure activity (planned and in planning) for the region from across local government, central government, and the private sector (where available). Te Waihangā will discuss the profile of activity including potential constraints and opportunities. This session will also serve as an introduction to the Infrastructure Pipeline for those unfamiliar with the tools Te Waihangā makes available to support planning and coordination. Hamilton City Council has participated in this process on a quarterly basis for a number of years.

48. The infrastructure Commission is developing a National Infrastructure Plan (Plan) that will draw heavily on the Pipeline. The Plan will cover current and future infrastructure needs for all regions and sectors' asset renewal and maintenance, as well as new infrastructure projects. Over the next few quarters, Te Waihanga will be moving to rapidly to build a complete picture of infrastructure investment intentions included in the Pipeline. It's important that all regions are represented in the Plan. Hamilton City Council has participated in this process on a quarterly basis for a number of years.
49. Through the 2023/24 Annual Plan deliverability has been a major consideration when developing the capital works programme. For this reason, it is expected that for the 2023/24 financial year the likelihood of this risk occurring will be reduced. It is vital that council optimise procurement processes and contracts to enable HCC to be a construction industry client of choice.
50. There are some supply chain issues remaining, impacting on delivery of our work programmes. Cost escalation continues to impact on the delivery of our work programmes. For commentary relating to cost escalation and the additional impacts of weather events, refer SR2 Significant negative impact on financial strategy.

Strategic Risk 8 – Failure to Respond to a Crisis or Emergency

51. The risk description is 'A lack of Council's preparedness leads to a **failure to respond or an ineffective response to a crisis (e.g. pandemic) or emergency (e.g. security attack)** resulting in compromised business resilience.' Links to SR1 and SR4.
52. There is no change to the residual risk rating for this risk – it remains at very high. This sits outside of our appetite of 'cautious'.
53. The Risk Management Policy which was brought to the March Strategic Risk and Assurance Committee was approved by Council on 30 May. Continuing to implement the policy remains a core focus of the risk management team.
54. Work has progressed at an organisational level to develop a clear work programme for the crisis, emergency, and incident management frameworks. Further details can be found in the Crisis, Emergency, Incident, and Business Continuity Management report.
55. Staff continue to work through the security risk assessment recommendations. A comprehensive update will be provided at the September Committee.

Strategic Risk 9 – Failure to Respond to Climate Change

56. This risk description is 'Climate change causes **changes to our community and City we have not anticipated or planned for** which will negatively impact on the wellbeing of our community.' This risk links to Strategic Risk 1 – Failure to respond to a disaster.
57. There is no change to the residual risk rating for this risk – it remains at very high. This sits outside of our appetite of 'cautious'.
58. The first stage of the Climate Change Maturity and Disclosure Programme has been completed, this included an assessment of our current level of maturity and how well Council is addressing and integrating climate change risk in decision making. This review identified that council has in place many of the foundations for integration but that there are improvements that can be made across all four domains – Governance, Strategy, Risk Management and Metrics and Targets.

59. Parliament's Finance and Expenditure Select Committee have commenced an inquiry into climate adaptation. The purpose of the inquiry is to develop and recommend guiding objectives and principles for the design of a climate adaptation model for New Zealand. The Committee will consider frameworks for investment and cost-sharing, roles and responsibilities and climate risk and response information-sharing. The Committee will report on the inquiry by 5 September 2024. This inquiry and subsequent legislation has the potential to significantly improve the way climate change risk is being managed across the country.
60. Funding to undertake a Community Climate Change Risk Assessment was proposed through the Long-Term Plan 2024-2034 process, at this stage the risk assessment is unfunded. The lack of a community climate change risk assessment is a current gap in our climate response. Through the risk assessment we would identify the risks and opportunities that may impact the wellbeing of our community as the climate changes and as we transition to a low carbon future. It is wider than just environmental considerations it would include risks to social, economic, and cultural wellbeing. It would help us better prepare and respond to the impacts of climate change on the community. It would include three key components: an assessment of physical risks from changes in climate, transition risks that may arise as the country moves towards net zero emissions and scenario analysis where we test our risks against plausible future scenarios.

Organisational Risk 1 – Failure to Provide a Safe and Healthy Work Environment

61. This risk description is 'Ineffective or inadequate health, safety and wellbeing management at our work sites leads to a **failure to provide a safe and healthy work environment for Council staff or workers** (inc. contracted or volunteer workers) resulting in a serious injury incident or fatality and increased exposure to litigation.'
62. There is no change to the residual risk rating for this risk – it remains at high. This sits outside of our appetite of 'averse'.
63. A separate report is taken to the Strategic Risk and Assurance Committee which provides further details about the Organisation's Health and Safety strategic direction and improvement schedule.

Organisational Risk 2 – Failure to Provide a Safe Environment for the Community

64. This risk description is 'Ineffective or inadequate safety and security management at our community attractions and facilities might mean **we fail to provide and maintain a safe environment for the community** resulting in a serious injury incident or fatality and increased exposure to litigation.'
65. There is no change to the residual risk rating for this risk – it remains at high. This sits outside of our appetite of 'averse'.
66. In 2023 the Council funded via Better Off Funding a number of Safety Officers on fixed term positions for 12 months to deliver security services at key community facilities. The officers have been engaging with visitors and de-escalating situations that arise. These posts will end on 30 June 2024.

Organisational Risk 3 – Failure of Critical Assets

67. This risk description is 'Incorrect investment (timing and/or amounts) results in the **unexpected failure of critical assets** (loss of levels of service), resulting in loss of service delivery, financial impact, environmental damage.
68. There is no change to the residual risk rating for this risk – it remains at very high.

69. Council is confirming budgets for the 2024-34 Long-Term Plan. As part of these discussions, recommendations from staff for budgets have been considered for both operational and capital budgets. At the time of this report being prepared, the final outcome of budget decisions for the 2024-34 LTP was unknown.
70. Irrespective of the final Renewals and Compliance programme funding provision for the first three years of the new LTP, there will be a need for a delivery programme to be confirmed based on projects included in the previously prepared AMPs and using any updated information that is relevant that may alter these priorities – such as reactive renewals that have become apparent. This delivery programme will be prioritised based on factors including criticality and then be the focus for delivery of the Renewals and Compliance programme for the next three years. In preparing the prioritised delivery programme, staff will factor in available funding, the available budgets for maintenance and other capital improvements that are both funded and unfunded.
71. Having adequate funding and the continued delivery of the Renewals and Compliance budgets as a programme that allows for continual reprioritisation and flexibility on timing across the three-year period, will help staff in managing the risks associated with failure of critical assets. The programme approach is a key tool to ensure that timing and investment is optimised and targeted on the assets with highest need and criticality.
72. A fuller review of the risk assessment of Organisational Risk 3 will be undertaken once the funding provisions for the 2024-34 LTP are confirmed and the timing and level of investment in new infrastructure, maintenance and asset renewal programmes is known.

Damage to WWTP Treated Wastewater Outfall Pipe

73. As reported to the March 28 Committee, in February, while carrying out ground improvement works associated with the new Inlet Facility project at the Pukete Wastewater Treatment Plant, a contractor unexpectedly struck and damaged the top of the treated wastewater outfall pipe.
74. The repair progressed well, with sheet piling (mid-March), excavation (late March) and repair phases completed mid-April with final reinstatement of site completed end of April 2024.
75. Hamilton City Council's Waters and Insurance teams are now working with Aon (our insurers) to manage the recovery process including from any potentially liable third parties. Further details can be found in the PX Legal Risk report.

Willoughby Street Closed Landfill

76. As part of our regular review of closed landfill assets, Tonkin and Taylor were engaged to undertake a Slope Stability and Stormwater Assessment on the Willoughby Street Closed Landfill. Following weather events during 2023, there were some areas of the slope on the landfill edge where there was minor slippage. From the Tonkin and Taylor report, it has been noted that approximately 300m of over-steepened landfill slope should be considered for stabilisation works, with two locations noted as being of 'high priority'.
77. Staff are assessing the recommendations and mitigations outlined in the report, noting that budget for renewal works for this site is included in the budgets for the draft 2024-34 Long-Term Plan.

Emerging Organisational Risk

Lake Taupo Levels

Item 8

78. The level of Lake Taupo has been declining steadily since February and in late May reached a level of 0.4m above the minimum operating level for the Lake. This level is below average for this time of year (see figure 1). If the minimum operating level of Lake Taupo is reached, Mercury is required under their resource consent to operate the Waikato River hydro system so the outflows from the Karapiro dam match the inflows to Lake Taupo. This can result in the Waikato River level downstream of the Karapiro Dam dropping significantly.
79. The Waiora Water Treatment Plant's water inlet pipe is located at a fixed level in the Waikato River. If river levels drop below the level of this pipe, the treatment plant is unable to physically pump water from the river to the treatment plant. Since 2016, Council has had a low river contingency plan (pumping platform) that can be deployed, to pump water from the deeper part of the Awa into the water treatment plant during exceptionally low river levels. This contingency plan, if implemented, will ensure that the treatment plant can continue to treat and supply Hamilton with up to 90 million litres of treated drinking water per day.
80. The NIWA Seasonal Outlook is forecasting average or above average temperatures for the whole country, rainfall levels are expected to be average or below average for Taupo and below average for the Waikato. Generally, the risk period for low water levels in Lake Taupo is during April – June; so, while lower-than-average Lake levels are not unusual at this time of year, recent trends may be an indication that there is an increased likelihood of needing to deploy the low river contingency pumping platform this year.
81. Staff are in regular contact with Mercury and Waikato Regional Council and will continue to closely monitor both Lake Taupo and Waikato River levels to actively manage this risk to Hamilton's water supply.
82. The graph below shows the historical trend in Lake Taupo levels since 2018:

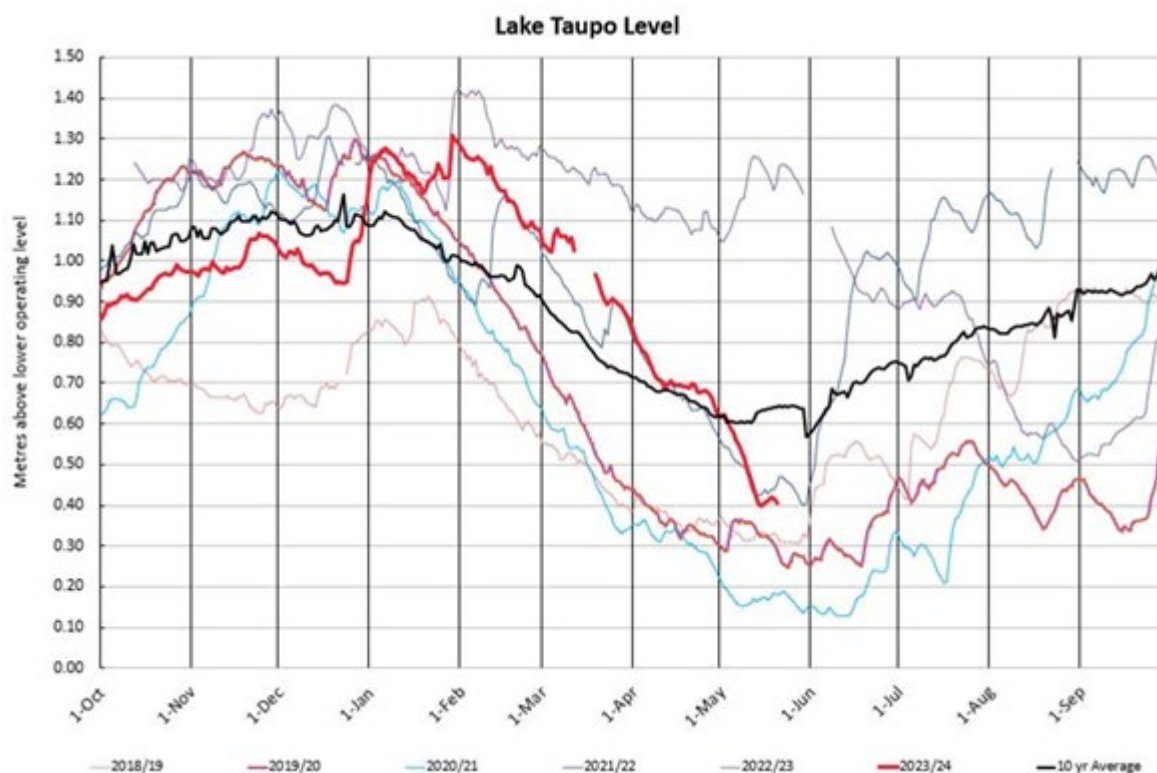
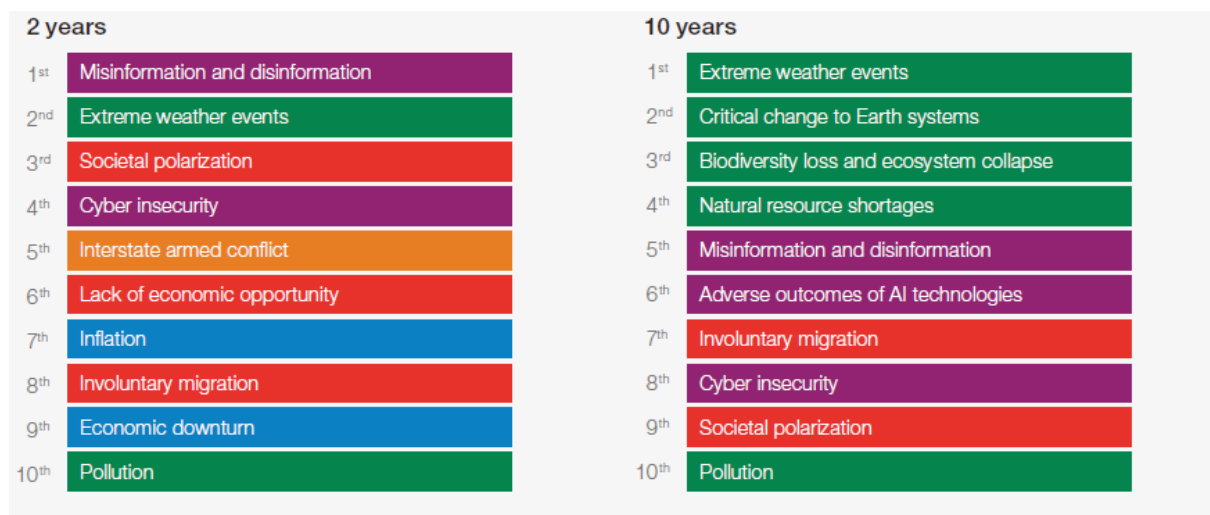


Figure: Graph showing historical trends in Lake Taupo levels since 2018 in comparison to the 10 year average lake level.

Global Risk Landscape

83. As reported in the March Strategic Risk and Assurance Committee, in January, the World Economic Forum released [The Global Risks Report 2024](#) which presents the results of the latest Global Risks Perception Survey. Below are key findings of the report.
84. Below are the key risks identified in the report, looking at both a two-year trajectory and over the next decade.



85. The Global Risks Report will be used to form the basis of our annual review of strategic and organisational risks ahead of the September Strategic Risk and Assurance Committee.

Financial Considerations - *Whaiwhakaaro Puutea*

86. This is a regular operating activity funded through the Long-Term Plan and there are no financial implications in relation to receiving this report.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

87. Staff confirm that this Risk Management Report complies with Council's legal and policy requirements.

Climate Change Impact Statement

88. Staff have assessed this option and determined that no adaption assessment is required.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

89. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
90. The subject matter of this report has been evaluated in terms of the 4 wellbeings' during the process of developing this report as outlined below.
91. The recommendations set out in this report are consistent with that purpose.

Social

92. The risks highlighted in this report have the capacity to affect social wellbeing should they materialise. Social wellbeing continues to be prioritised through Council's management of the risks and opportunities arising from the risks outlined in this report.

Economic

93. The risks highlighted in this report have the capacity to affect economic wellbeing should they materialise. Threats and opportunities relating to external material and human resources could impact on economic wellbeing locally, regionally, nationally, and globally. Council's management of the risks and opportunities in this report continues to reflect the impact on economic wellbeing.

Environmental

94. Council continues to manage its response to the impact on the environment by establishing services that are safe and sustainable and embedding climate change considerations into priority projects across Council. Finding opportunities such as this means that environmental wellbeing continues to be prioritised.

Cultural

95. Staff consider the matters set out in this report do not have a direct impact on cultural wellbeing.

Risks - *Tuuraru*

96. The Strategic & Organisational Risk Register (**Attachment 1**) identifies the strategic and organisational risks discussed in this report.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

97. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a medium level of significance.
98. Community views and preferences are already known to the Council.
99. Given the medium level of significance determined, the engagement level is medium. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Strategic & Organisational Risk Register Q4 2023/24

Strategic & Organisational Risk Register





Q4 2023/24

How to read this document

Strategic risks are defined as ‘the risk of an event or impact that is external to Council and could impact the organisation’s strategies, including Council’s Financial Strategy, Long Term Plan and 30 Year Infrastructure Strategy’.

Organisational risks are defined as ‘the risk of an event or impact that is internal or external to Council and could impact the whole organisation’.










Pages 3 provide a summary of strategic and organisational risks. Movement from the previous quarter is shown by the following indicators:




Indicator	Description	Indicator	Description
	No change from previous		Increase in residual risk rating from previous
	New risk		Decrease in residual risk rating from previous

Pages 4 onwards provides additional detail, including the existing controls and treatment plan updates, for each strategic and organisational risk.

The residual risk rating is determined following assessment of likelihood and consequence for each risk category using the following matrix. The maximum residual risk rating from this process is then reported on:

		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
		L = Low	M = Medium	H = High	VH = Very High	E = Extreme

Strategic Risk Name	Risk Description	Risk Appetite	Risk Owner	Residual Risk Rating
SR1 Failure to respond to a disaster	A lack of preparedness leads to a failure to respond or an ineffective response to a natural or human induced disaster event resulting in compromised community resilience. Links to SR4 and SR8	Cautious	Helen Paki	Very High 
SR2 Significant negative impact on financial strategy	A major economic or financial shock event negatively impacts Council's financial strategy, fiscal and monetary position resulting in significant financial pressure on Council. Links to SR7	Cautious	David Bryant	Medium 
SR3 Failure to meet compliance standards	Compliance requirements from central government and regional council or changes in community expectations leads to a failure to meet compliance standards resulting in increased exposure to litigation. Links to SR6	Neutral	David Bryant	High 
SR4 Loss of information or access to systems and services	In the event of a cyber-attack, IT service or technology asset failure there is a risk that confidential information and / or Council services are compromised or fail and / or there is a loss of information resulting in ongoing reputational, legal, and financial consequences. SR4 links to SR1 and SR8	Neutral	David Bryant	Very High 
SR5 Failure to deliver growth outcomes	Step-changes in growth requirements or demand or consequences of growth means Council can't deliver expected growth outcomes resulting in increased costs and the perception that growth delivers negative outcomes for the community.	Neutral	Blair Bowcott	High 
SR6 Political changes negatively impact strategic direction	Political stakeholders make unanticipated changes or decisions or take actions that negatively impact Council's strategic direction resulting in significant changes to Council's form or function, resourcing and work programme. Links to SR3	Receptive	Blair Bowcott	Very High 
SR7 Failure to deliver our work programmes	An ongoing shortage of necessary resources (people and materials) means we are unable to deliver our work programmes resulting in constrained growth and negative long-term outcomes for the community. Links to SR2	Neutral	Andrew Parsons	Medium 
SR8 Failure to respond to a crisis or emergency	A lack of Council's preparedness leads to a failure to respond or an ineffective response to a crisis (e.g. pandemic) or emergency (e.g. security attack) resulting in compromised business resilience. Links to SR1 and SR4.	Cautious	David Bryant	Very High 
SR9 Failure to respond to climate change	Climate change causes changes to our community and City we have not anticipated or planned for which will negatively impact on the wellbeing of our community.	Cautious	Blair Bowcott	Very High 

Organisational Risk Name	Risk Description	Risk Appetite	Risk Owner	Residual Risk Rating
OR1 Failure to provide a safe and healthy work environment	Ineffective or inadequate health, safety and wellbeing management at our work sites leads to a failure to provide a safe and healthy work environment for Council staff or workers (including contracted or volunteer workers) resulting in a serious injury incident or fatality and increased exposure to litigation.	Averse	Sean Hickey	High 
OR2 Failure to provide a safe environment for the community	Ineffective or inadequate safety and security management at our community attractions and facilities might mean we fail to provide and maintain a safe environment for the community resulting in a serious injury incident or fatality and increased exposure to litigation.	Averse	Helen Paki	High 
OR3 Failure of critical assets	Incorrect investment (timing and/or amounts) results the unexpected failure of critical assets (loss of levels of service). Resulting in loss of service delivery, financial impact, environmental damage.	Averse	Andrew Parsons	Very High 

Strategic Risk 1					
SR1 Failure to Respond to a Disaster					
A lack of preparedness leads to a failure to respond or an ineffective response to a natural or human induced disaster event resulting in compromised community resilience. Links to SR4 Loss of information or access to systems and SR8 Failure to respond to a crisis or emergency					
Risk Owner	Helen Paki	Category	Disaster Recovery/Business Continuity Strategic	Risk Appetite	Cautious - 2
Inherent Risk Rating			Very High – Possible x Catastrophic		
Existing Controls					
1. Annual external (NEMA) capability assessments					
2. Collaboration on emergency management response approach					
3. Co-located EOC in a dedicated leading-edge centre					
4. Early warning processes are in place at a national and regional level					
5. Emergency Management Framework					
6. Emergency management training program					
7. Robust emergency exercise schedule in place					
8. Council has established an Incident Management Team					
9. Availability of technical expertise					
10. Regional and national emergency services relationship management					
11. Council has responsibility for climate change response					
12. District Plan					
13. Asset Management. 2021-2051 Infrastructure Strategy is in place.					
14. Asset Management.2021-31 Activity Management Plans int. ext. reviewed					
15. Asset Management. Manage, monitor, operate and maintain critical assets					
16. Asset Management. Plan policy in place to set standards					
Residual Risk Rating			Very High – Possible x Major		
Responsible Manager(s)	Kelvin Powell Helen Schlegel	Risk Treatment Option		Mitigate	
Treatment Plans					
Treatment Plan		Previous Update		Update – June 2024	
Implement workplan to address findings raised in Capability Assessment by December 2023		March 2024 At the December Council meeting the change requests were conditionally approved however final approval is still pending LTP consultation and approval.		June 2024 We are awaiting the approval of the LTP to enable this action to progress. Due date moved out accordingly.	

Strategic Risk 2					
SR2 Significant Negative Impact on Financial Strategy					
A major economic or financial shock event negatively impacts Council’s financial strategy, fiscal and monetary position resulting in significant financial pressure on Council. Links to SR7 Failure to deliver our work programmes					
Risk Owner	David Bryant	Category	Financial	Risk Appetite	Cautious - 2
Inherent Risk Rating		Very High – Likely x Major			
Existing Controls					
1. PwC, as Council’s treasury partner					
2. Financial forecasting cycles at the Finance & Monitoring Committee					
3. Monitoring of macro trends					
4. Additional \$100M bank facility					
5. Financial scenario modelling					
6. Council’s ability to urgently reprioritise and reduce capital spending					
7. Ability to urgently reprioritise and reduce community LOS spending					
8. Financial Policies					
Residual Risk Rating		Medium – Possible x Moderate			
Responsible Manager(s)	Tracey Musty Greg Carstens	Risk Treatment Option		Mitigate	
Treatment Plans					
Treatment Plan	Previous Update		Update – June 2024		
Develop the Financial Strategy & Related Policies (LTP 2024-2034)	March 2024 The financial strategy and related policies were presented to Council on March 14 for consultation and the final ones will be taken to Council in June to be approved.		June 2024 Public consultation on the LTP has concluded including oral submissions in mid-May. Council deliberations are scheduled for 4 and 5 June with the adoption of the LTP set for July 4 (not 27 June as noted in the March update). The Investment and Liability policy went to Council in Feb and was approved. Other LTP related policies were approved in draft for consultation purposes, and these will be approved for final on July 4 in line with above.		

Strategic Risk 3					
SR3 Failure to Meet Compliance Standards					
Compliance requirements from central government and regional council or changes in community expectations leads to a failure to meet compliance standards resulting in increased exposure to litigation. Links to SR6 Political changes negatively impact on strategic direction.					
Risk Owner	David Bryant	Category	Compliance and Regulatory Environmental Political Reputation	Risk Appetite	Neutral - 3
Inherent Risk Rating			High – Possible x Serious		
Existing Controls					
1. Advice available from external legal service providers - ad hoc basis 2. Central oversight of bylaw and Council policy programme at HCC 3. Competency assessments and training in place for staff 4. Council has access to a legal database 5. Council has established an Incident Management Team 6. External experts – for example advice on HR, taxation matters. 7. Internal legal advisor resource 8. Internal programme for continuous improvement in place 9. Internal resource allocated for specific compliance changes 10. Key stakeholders engaged for central government submissions 11. Local and regional council relationships established 12. Notification protocols in place for unforeseen events 13. Regular legal services advice and input from other specialist experts 14. Regular reporting, accreditation and auditing by independent providers					
Residual Risk Rating			High – Possible x Serious		
Responsible Manager(s)	Mish Hawthorne	Risk Treatment Option	Mitigate		
Treatment Plans					
Treatment Plan	Previous Update		Update – June 2024		
Legislative Compliance - Implement organisational monitoring and reporting by July 2024	March 2024 Due to staff turnover in the legal team, progress on this action has been delayed. The due date has been amended to reflect this.		June 2024 Work has progressed on the organisational compliance monitoring programme. a number of specific legislative compliance risks have been loaded into SHIELD (Council's enterprise risk management system). Further work is required to roll this out across the organisation and is expected to be completed by September 2024.		
Develop additional Compliance Training modules by June 2024	March 2024 Regular Privacy and LGOIMA training is underway in the organisation. Due to staff turnover in the legal team, progress on this action has been delayed. The due date has been amended to reflect this.		June 2024 The LGOIMA, Privacy, and Fraud & Corruption modules are now live. Additional modules are yet to be scoped and developed.		

Strategic Risk 4					
SR4 Loss of Information or Access to Systems and Services					
In the event of a cyber-attack, IT service or technology asset failure there is a risk that confidential information and / or Council services are compromised or fail and / or there is a loss of information resulting in ongoing reputational, legal, and financial consequences. SR4 links to SR1 (Failure to respond to a disaster) and SR8 (Failure to respond to a crisis or emergency).					
Risk Owner	David Bryant	Category	Disaster Recovery/Business Continuity Technology	Risk Appetite	Neutral - 3
Inherent Risk Rating			Very High – Possible x Catastrophic		
Existing Controls					
A separate public excluded report is taken to the Strategic Risk and Assurance Committee which provides further details about the Organisation's Cyber Security and Risk					
Residual Risk Rating			Very High – Likely x Major		
Responsible Manager(s)	Allan Lightbourne Ron Rahman Eric Wang	Risk Treatment Option	Mitigate		
Treatment Plans					
A separate public excluded report is taken to the Strategic Risk and Assurance Committee which provides further details about the Organisation's Cyber Security and Risk Improvement Schedule					

Strategic Risk 5					
SR5 Failure to Deliver Growth Outcomes					
Step-changes in growth requirements or demand or consequences of growth means Council can't deliver expected growth outcomes resulting in increased costs and the perception that growth delivers negative outcomes for the community.					
Risk Owner	Blair Bowcott	Category	Community and Wellbeing, Strategic	Risk Appetite	Neutral - 3
Inherent Risk Rating			Very High – Possible x Major		
Existing Controls					
1. Numerous strategies and plans in place to manage growth outcomes					
2. Hamilton Urban Growth Strategy					
3. Future Proof Partnership and work programmes					
4. Engagement with Central Government					
5. Engagement with neighbouring Councils on strategic growth planning					
6. Preparation of growth programme business cases					
7. Growth Programmes team					
8. Communications and engagement strategies for Growth					
9. National Policy Statement Urban Development					
10. Changes to District Plan (plan changes) where required					
11. Zoning Decision Process					
12. Submissions on any neighbouring councils plan changes.					
13. Management of Resource Consent applications					
14. Out of Boundary Principles					
15. Private Developer Agreements					
16. Monitoring the broader environment					
17. HCC Growth and Development Contributions model					
18. Long Term Plan (LTP) and Annual Plan reviews					
Residual Risk Rating			High – Possible x Serious		
Responsible Manager(s)	Karen Saunders Greg Carstens Mark Davey	Risk Treatment Option		Mitigate	
Treatment Plans					
Treatment Plan	Previous Update		Update – June 2024		
Progress and notify District Plan Change Programme in response to Government Direction from NPS-UD and RMA Bill, by mid-2024	March 2024 Plan Change 14 notification is now due mid-2024. Government has announced its intentions regarding MDRS and NPS: UD implementation with updated legislation to follow. On this basis Council has confirmed with the Independent Hearing Panel (IHP) that it wishes to go to hearing on Plan Change 12 September 2024 allowing sufficient time to make decisions by 20 December 2024. A proposed timetable for evidence exchange will be put forward by Council to the IHP end of April.		June 2024 Plan Change 14 notification is due mid-2024 to update flood hazards city-wide to inform intensification under Plan Change 12. Government has announced its intentions regarding MDRS and NPS:UD implementation with updated legislation - bill to be introduced to Parliament mid-2024. On this basis, Plan Change 12 will resume hearings in September 2024 allowing sufficient time to make decisions by 20 December 2024. A timetable for evidence exchange for PC12 has been set commencing 27 May.		

Incorporate a growth lens to the 2024-34 LTP discussions and consultation, by June 2024	March 2024 Growth area summary sheets provided to support the capital investment programme and decision making through key LTP workshops. Other key info including growth projections and the infrastructure strategy have been provided or are in development.	June 2024 Proposed changes to the capital programme and potential options for amending the DC policy are being presented to Council for consideration leading into LTP deliberations as a result of submissions received. Implications for the City's growth are being presented, and will inform the deliberations report for Council to consider on the 4-6 June 2024.
---	---	---

Strategic Risk 6					
SR6 Political Changes Negatively Impact Strategic Direction					
Political stakeholders make unanticipated changes or decisions or take actions that negatively impact Council’s strategic resulting in significant changes to Council’s form or function, resourcing and work programme. Links to SR3, Failure to meet compliance standards.					
Risk Owner	Blair Bowcott	Category	Political Service Delivery Strategic	Risk Appetite	Receptive - 4
Inherent Risk Rating		Very High – Likely x Major			
Existing Controls					
1. Collaborative governance group meetings 2. Culture, expectation, and policies of HCC organisation 3. Monthly SLT discussion to ensure awareness of strategic initiatives 4. Participation in national and regional advisory groups 5. Participation in processes to influence government policy direction 6. Proactive steps taken at the start of each local government triennium 7. Regular Council briefings 8. Regular engagement with stakeholders at political and executive level 9. Regular meetings with Government Ministers and MPs 10. Future Fit Programme Established					
Residual Risk Rating		Very High – Likely x Major			
Responsible Manager(s)	Hannah Windle	Risk Treatment Option	Mitigate		
Treatment Plans					
Treatment Plan	Previous Update		Update – June 2024		
Work with Future Proof Partners on the implications of RM reform to ensure sub-regional voice is championed by October 2023	March 2024 There is no certainty on the path forward for RM reform, however the 2x Acts (NBA and SPA) have been repealed meaning councils continue to operate under the existing RMA. Fast track legislation is due to be released by the Government that has the intention of delivering more houses, faster. We will continue to work with FP partners on shared areas of interest where possible.		June 2024 There is still no further certainty on the path forward for RM reform, however a Fast Track consenting bill has been released to enable development at pace. Council has submitted on the Bill, and also put forward projects for inclusion in the Act’s schedule.		
3 Waters Reform Treatment Plan	March 2024 Government has signalled 'waters done well' reform programme where councils will maintain control and ownership of waters assets. They have signalled that councils will need to voluntarily investigate opportunities for shared services/CCOs. Discussions are yet to begin, and more detail is required from central government. At this stage, waters have been added back into the LTP from year 3.		June 2024 Council has begun discussions with neighbouring councils and other growth councils regarding the future of three waters. This includes investigations into CCO arrangements and other potential options. No decisions have been made on a path forward to date.		

Future for Local Government Treatment Plan	March 2024 There is no clarity on the future for local government review by the new Government. Staff continue to keep a watching brief for any updates.	June 2024 The new Government has informally indicated that it does not support the recommendations of the Future for Local Government review but has not signalled any further work in this area.
--	--	---

Strategic Risk 7					
SR7 Failure to Deliver our Work Programmes					
An ongoing shortage of necessary resources (people and materials) means we are unable to deliver our work programmes resulting in constrained growth and negative long-term outcomes for the community. Links to SR2 Significant negative impact on financial strategy.					
Risk Owner	Andrew Parsons	Category	Financial People Service Delivery	Risk Appetite	Neutral - 3
Inherent Risk Rating			Extreme – Almost Certain x Catastrophic		
Existing Controls					
1. Adjustment of cost escalation provisions in the 2021/31 Long Term Plan					
2. Established procurement planning frameworks					
3. Forward works pipeline visibility and supply chain engagement					
4. Procurement optimisation					
5. Utilising panel arrangement for procurement and engagement					
6. Portfolio Framework in place					
7. Resource management tool for Project Management					
8. Annual Plan 23/24 Capital Portfolio					
9. Scope of projects reduced to fit the budget					
Residual Risk Rating			Medium – Unlikely x Serious		
Responsible Manager(s)		Kelly Stokes Chris Allen	Risk Treatment Option		Mitigate
Treatment Plans					
Treatment Plan		Previous Update		Update – June 2024	
Optimise procurement processes and contracts to enable HCC to be a construction industry client of choice.		March 2024 Delegations to Positions Policy update has been implemented		June 2024 Actively participating in the Co-Lab Professional Services Panel evaluation, to ensure HCC receives the most qualified services and value for money.	

Strategic Risk 8					
SR8 Failure to Respond to a Crisis or Emergency					
A lack of Council’s preparedness leads to a failure to respond or an ineffective response to a crisis (e.g. pandemic) or emergency (e.g. security attack) resulting in compromised business resilience. Links to SR1 and SR4.					
Risk Owner	David Bryant	Category	Disaster Recovery/Business Continuity Service Delivery	Risk Appetite	Cautious - 2
Inherent Risk Rating			Very High – Possible x Catastrophic		
Existing Controls					
1. Enterprise Business Impact Analysis (EBIA) 2. Business Continuity Management Policy and Plans 3. Business continuity and disaster recovery (BCDR) processes 4. Council has established an Incident Management Team 5. Security Risk Assessments 6. Quarterly Operational Risk Reviews 7. Risk Management Training 8. Risk Management Policy (2024)					
Residual Risk Rating			Very High – Possible x Catastrophic		
Responsible Manager(s)	Mish Hawthorne Nicholas Whittaker	Risk Treatment Option		Mitigate	
Treatment Plans					
Treatment Plan	Previous Update		Update – June 2024		
Adopt and implement accepted recommendations from SRAs by December 2023	March 2024 258/336 recommendations have been completed. Further updates are provided in the risk management report under SR8.		June 2024 Staff continue to work on the recommendations and a detailed update will be provided at the next Committee.		
Review of Organisational Security Risk Assessment (OSRA) by December 2023	March 2024 0/10 recommendations have been completed. 3 of these recommendations have had significant progress made, focusing on Hamilton City Council's security risk culture, processes, and reporting. Further work is required to complete these recommendations.		June 2024 Staff continue to work on the recommendations and a detailed update will be provided at the next Committee.		
Develop and deliver Crisis, Emergency & Incident Management guidelines and procedures by March 2024	March 2024 The full review has been delayed to April due to organisational capacity and the FutureFit process. Work has begun at the organisational level to ensure we have fit for purpose processes in place.		June 2024 A full review of Council’s crisis, emergency, and incident management framework has been completed. The outcomes of that workshop will form new treatment plans. This action will be closed.		
Align operational-level BIA with enterprise-level BIA as part of routine BCM reviews and updates by Early 2024	March 2024 All Tiered 1, 2, 3 and Critical Support Units have BIAs booked and/or completed. All BIAs will be completed by end of May 2024.		June 2024 Operational BIA workshops have been completed for the majority of Tier 1, 2, 3 and Critical Support Business Units. Those that haven't been completed are booked in to be completed by the end of the month.		

Refresh the BCP template by March 2024	March 2024 A revised BCP template has been drafted. This will be amended and then implemented following the BIA workshops which are scheduled for May.	June 2024 No update
Develop a Resilience Management Policy by March 2024	March 2024 The Risk Management Policy (deferred from December) has now been completed. Work has begun on the Resilience Management Policy which will be brought to the June Committee.	June 2024 A Resilience Management Policy has been drafted. The next step is to circulate this with key staff for review.

Strategic Risk 9					
SR9 Failure to Respond to Climate Change					
Climate change causes changes to our community and City we have not anticipated or planned for which will negatively impact on the wellbeing of our community.					
Risk Owner	Blair Bowcott	Category	Climate Change	Risk Appetite	Cautious - 2
Inherent Risk Rating			Very High – Likely x Major		
Existing Controls					
1. Activity Management Plans incorporate climate change considerations. 2. Climate change steering group established and operational 3. Our Climate Future: Te Pae Tawhiti o Kirikiriroa 4. Climate Change Policy 5. Council has responsibility for climate change response 6. Council Climate Change Risk Assessment 7. Hamilton Urban Growth Strategy 8. Access Hamilton - transport strategy 9. Future Proof Strategy 10. Open Spaces Strategy 11. Nature in the City strategy 12. Stormwater Master Plan 13. Emissions trajectory for Hamilton 14. Long term Plan (LTP) and Annual Plan reviews 15. District Plan 16. Changes to District Plan (plan changes) where required					
Residual Risk Rating			Very High – Likely x Major		
Responsible Manager(s)	Charlotte Catmur Cathy Kopeke Poppy Barran	Risk Treatment Option		Mitigate	
Treatment Plans					
Treatment Plan	Previous Update		Update – June 2024		
Staff learning and development programme for climate change developed and implemented by June 2024	March 2024 Staff learning sessions have commenced through the Corporate Sustainability Programme. An engagement and education climate change programme for the Executive Leadership Team has been approved and is now underway.		June 2024 Climate change knowledge sessions with the Executive Leadership Team have been well received and will be updated and rolled out across Council. Two workshops using the Climate Fresk model have been scheduled for June and July and staff will be trained to deliver these internally going forward. Climate 101 resources are under development for staff and Elected Members. This programme of work will continue in 2024/2025 to continue build knowledge and awareness across Council.		

Integration of climate change considerations into the Long-Term Plan by June 2024	March 2024 Staff are assessing the draft Long-Term Plan to understand how it delivers on climate change and alignment with Our Climate Future. This will be presented to Elected Members late March/early April for information.	June 2024 Climate change considerations have been built into the Long-Term Plan where possible. An unfunded targeted rate for Community Resilience and Extreme Weather was included in community consultation on the 2024-2034 Long Term Plan. Climate change has been included as a significant assumption and noted in the Infrastructure Plan as a key challenge.
Climate change maturity and disclosure programme	March 2024 The climate change maturity and disclosure programme includes two key phases, firstly understand our current integration of climate change across four domains - Governance, Strategy, Risk Management and Metrics and Targets - and develop a 3-year roadmap to improve our maturity and then the second phase to implement the roadmap and to complete annual disclosure reports on our climate change risk.	June 2024 A current state analysis has been completed against the four disclosure domains and areas for improvement identified. Staff are now preparing a 3-year roadmap of actions to improve our integration of climate change risk across council. The first disclosure report for 2023/2024 is starting to be prepared alongside the Annual Report process.

Organisational Risk 1					
OR1 Failure to Provide a Safe and Healthy Environment					
Ineffective or inadequate health, safety and wellbeing management at our work sites leads to a failure to provide a safe and healthy work environment for Council staff or workers (including contracted or volunteer workers) resulting in a serious injury incident or fatality and increased exposure to litigation.					
Risk Owner	Sean Hickey	Category	People Compliance and Regulatory	Risk Appetite	Averse - 1
Inherent Risk Rating			Extreme – Likely x Catastrophic		
Existing Controls					
1. Safety Management System (SMS) aligned to ISO45001 2. Appropriate resources available for Council capabilities 3. Assurance activities are carried out regularly int / ext 4. Council has an effective safety governance structure 5. Council safety software system that provides reporting 6. Council’s critical safety risks are reviewed regularly. 7. Prequalification and Safety Standards for Contractors 8. Council undertakes an annual engagement survey 9. He waka eke noa - Our Way of Working					
Residual Risk Rating			High – Rare x Catastrophic		
Responsible Manager(s)	Marie Snowball Dan Finn	Risk Treatment Option	Mitigate		
Treatment Plans					
A separate report is taken to the Strategic Risk and Assurance Committee which provides further details about the Organisation’s Health and Safety strategic direction and improvement schedule.					

Organisational Risk 2					
OR2 Failure to Provide a Safe Environment for the Community					
Ineffective or inadequate safety and security management at our community attractions and facilities might mean we fail to provide and maintain a safe environment for the community resulting in a serious injury incident or fatality and increased exposure to litigation.					
Risk Owner	Helen Paki	Category	Community and Wellbeing	Risk Appetite	Averse - 1
Inherent Risk Rating			Very High – Possible x Catastrophic		
Existing Controls					
1. Communication plans for new projects around safety requirements 2. Community education support for ongoing Community safety 3. Condition assessments for assets 4. Emergency and safety response training drills 5. Emergency response and Pandemic plans 6. Incorporated risk assessments and safety in design planning 7. Maintenance and monitoring plans – buildings 8. Management drop-ins and Unit Audits 9. Operational asset maintenance (trees and operational infrastructure) 10. Specific staff training programmes in facilities & service management 11. Subject matter expert support – internal and external 12. Traffic management plan adoption per requirements 13. Mechanism for public to report issues that require action to us 14. Activity Management Plans (AMPs)					
Residual Risk Rating			High – Unlikely x Major		
Responsible Manager(s)	Jo Keall Donna Burt Irene James Claire Toko	Risk Treatment Option		Mitigate	
Treatment Plans					
Treatment Plan		Previous Update		Update – June 2024	
Development of a monitoring framework by September 2024		N/A – new TP		June 2024 There are a number of operational risks that relate to this organisational risk. By 30 September will have developed a framework which identifies and records the related operational risks. This will enable changes to them to be monitored which will then help inform and support monitoring of this risk.	

Organisational Risk 3					
OR3 Failure of Critical Assets					
Incorrect investment (timing or amounts) results in the unexpected failure of critical assets (loss of levels of service), resulting in loss of service delivery, financial impact, and environmental damage.					
Risk Owner	Andrew Parsons	Category	Compliance and Regulatory Environmental Financial Reputation Service Delivery	Risk Appetite	Averse - 1
Inherent Risk Rating			Very High – Likely x Major		
Existing Controls					
Asset Management Controls					
1. 3 yearly Independent asset management maturity					
2. Regular monitoring and submission on industry change					
3. Resourcing for Activity Management Plan (AMP) funded					
4. 2021-2051 Infrastructure Strategy is in place.					
5. Modelling and master planning of strategic assets					
6. Asset Management Plan policy in place to set standards					
7. 2021-31 Activity Management Plans int. ext. reviewed					
8. Asset Strategy Team in place to drive org consistency					
9. Manage, monitor, operate and maintain critical assets					
Operational Controls:					
10. Processes in place Re: supervision design and test					
11. Quarterly Threat and Risk assessments					
12. Training and development plans in place for staff					
13. Business Continuity and Essential Maintenance Plans					
Planning Controls:					
14. Annual review of build/Facilities capital programme					
15. Anomaly detection and vulnerability scanning capability					
16. Solutions for redundancy (physical and process) in place					
17. Project management and procurement processes are in place					
18. Staff have project management skills and experience					
Procurement Controls:					
19. Robust procurement process followed to identify/scope					
20. Maintenance and service agreements in place with the supplier					
21. Speciality contracts in place to maintain critical assets					
22. Stakeholder engaged before procure/replacement of asset					
Residual Risk Rating			Very High – Possible x Major		
Responsible Manager(s)	Jo Keall Anita Oliver, Claire Toko, Paul Gower, Maire Porter, Gordon Naidoo, Tania Hermann	Risk Treatment Option		Mitigate	

Treatment Plans		
Treatment Plan	Previous Update	Update – June 2024
Implement the Organisational Asset Management Improvement Plan by June 2024	March 2024 The community and facility asset management improvement programme has begun. This programme comprises 10 related projects - improving asset registers, practices and capabilities across key community infrastructure and assets and Council buildings. The Future Fit programme is also reviewing how asset management improvements are resourced. Changes to teams are being proposed to increase capabilities for the management and reporting of asset information.	June 2024 The community and facility asset management improvement programme has begun. This programme comprises 10 related projects - improving asset registers, practices and capabilities across key community infrastructure and assets and Council buildings. The recent Future Fit staffing changes has made some changes to staffing of asset management activities and these will be progressed over coming months. These have been informed by the themes contained in the organisational improvement programme.
Implement Asset Criticality Framework by June 2024	March 2024 How critical assets are identified, and this information used will be reviewed as part of reviewing AMP process and considering improvements for next planning cycle	June 2024 How critical assets are identified, and this information used will be reviewed as part of reviewing AMP process and considering improvements for the next long-term planning cycle
Critical assets are considered as part of the 2024-54 Infrastructure Strategy	March 2024 Renewals and Compliance budget in the Draft 2024-34 LTP have been increased from the initial Base budget to reduce risk profile to medium for the first 3 years. Waters budgets have been included with a medium risk profile.	June 2024 Renewals and Compliance budget in the Final 2024-34 LTP is yet to be finalised. Once the financial provision for the programme is finalised, a prioritisation will be completed to create a delivery programme that factors in asset criticality.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 18 June 2024
Author: Nicholas Whittaker
Authoriser: David Bryant
Position: Senior Risk and Resilience Advisor
Position: General Manager Business Services
Report Name: Crisis, Emergency, Incident, and Business Continuity Management Update

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on the status of Hamilton City Council's Crisis, Emergency, Incident and Business Continuity Management activities.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. A key focus of Hamilton City Council is raising the maturity of both the crisis, emergency and incident (CEI) management, and business continuity management (BCM) workstreams. There are a number of specific actions being worked on, which underpin these activities and once completed will increase organisational resilience.
4. The business continuity management workstream is well underway and the first major milestone will be reached by the end of June 2024. Once completed, the next stage of the programme will be scoped and implemented.
5. The initial reviews of Council's crisis, emergency, and incident management programme have been completed. A working group will now identify the specific required actions to increase Council's maturity in this space.
6. Staff consider the matters in this report have medium significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

7. The Chair of the Committee requested an update on Hamilton City Council's crisis, emergency, incident (CEI), and business continuity management (BCM) workstreams.
8. Given the numerous industry reviews (as outlined in the 11 June Civil Defence Emergency Management (CDEM) Quarterly Report) it was important for Council to understand the full scope of its organisational resilience framework and work programme.

9. While the scope of the majority of these reviews were focussed on CDEM, some of the findings and recommendations related to organisational resilience. Of particular note, was a common theme related to levels of preparedness and planning for an extreme event within Councils.
10. In late-2022 Price Waterhouse Coopers (PwC) completed an audit of Council's business continuity management activity. Recommendations were then added as treatment plans to **Strategic Risk 8 - Failure to respond to a crisis or emergency**. Quarterly updates on these have been provided to the Committee, however a high-level summary of the programme has not been received by the Committee recently.

Business Continuity Management (BCM)

11. The objective of the 2022 PwC audit was to provide Hamilton City Council with an assessment of the current state of business continuity management and then to identify recommendations for improvement. Council was assessed to be at Level 2 – Repeatable, which represents organisations that have not yet completed the necessary programme basics for a sustainable enterprise organisational resilience programme.
12. The below areas were identified for improvement to increase maturity:
 - i. Centralised overall governance
 - ii. Defined roles and responsibilities
 - iii. Linkage into Council's resilience management framework
 - iv. Interaction between Business Continuity Planning (BCP) and Information Technology Disaster Recovery (ITDR)
 - v. Risk profiling and business impact assessment
 - vi. Co-ordination and communication between business units
 - vii. Testing and training
13. Following this audit, the BCM programme has been reviewed and refreshed.
14. Broadly speaking the refreshed BCM workstream can be divided into Organisational BCM Framework, Business Impact Analysis (BIA), Business Continuity Planning (BCP), and Testing, Reviewing, and Monitoring (TRM).
15. The **Organisational BCM Framework** is under development. This workstream focusses on implementing the audit improvement actions of governance, roles and responsibilities, and the broader resilience management framework. The BCM policy is being reviewed and a draft will be circulated with key stakeholders at the end of June. The approach to the policy review will take a broader view to organisational resilience and include specific sections such as business continuity.
16. This change in approach reflects the interconnected nature of events and allows for a more holistic view to preparing for and responding to disruptive events. Once approved, the implementation of the policy will see a number of the organisational framework recommendations completed.
17. The executive leadership team was involved in working through an **Enterprise Business Impact Analysis (EBIA)**, which identified and prioritised Council's community facing activities and critical internal support (enabling) services. This has resulted in eight Tier 1 services, three Tier 2 services, and seven Tier 3 services. Additionally, six critical internal services were identified.
18. The next step in the refreshed BCM process is rolling out operational level **Business Impact Analysis (BIA)** to the services identified above. The majority of these workshops have taken place in May 2024 with a small number remaining to be completed in June 2024. The purpose of these workshops is to identify critical processes and activities, understand the maximum acceptable outage time, and the required resources to carry out the activity. The analysis from the operational BIAs will then inform both operational BCPs and organisational support.

19. Once all workshops have been completed, and both operational and organisational analysis has taken place, the next step of this programme will be reviewing and refining Council's **Business Continuity Planning (BCPs)** – including the development of an organisational BCP.
20. Each of the activities and services identified in the EBIA, as well as some other units have existing BCPs, however a significant review is required. The review will include a refreshed BCP template (as identified under **Strategic Risk 8**). The programme is yet to be developed and will need to account for any capacity pressures and organisational workload but will be completed no later than June 2025.
21. Once BCPs have been reviewed the **testing, reviewing, and monitoring** framework will be developed and implemented based on the new framework and guidelines.

Crisis, Emergency, and Incident Management Update

22. The scope of this programme focusses on organisational resilience and does not include CDEM. While depending on the event there can be overlap between these functions it was important this workstream differentiated itself from CDEM to ensure HCC's internal readiness, response, and recovery had its own programme.
23. Several workshops were run between April and May 2024 to re-evaluate and strengthen Council's crisis, emergency, and incident management strategic framework. The focus of these workshops was to identify the current structures in place and to highlight areas for improvement.
24. The workshops identified some process gaps at an organisational level. However, to be clear, our current operational processes are working when managing incidents. The gaps that have been identified focus largely on centralisation, multi-unit response and crisis management.
25. A working group has been established to identify clear steps to increase Council's maturity. Key focus areas include:
 - i. Establishing a resilience governance group
 - ii. Developing an organisational resilience policy
 - iii. Reviewing and refining the organisational framework for incident management
 - iv. Developing an organisational framework for crisis management
 - v. Ensuring fit-for-purpose response structures at operational and organisational levels
 - vi. Developing a training, testing, reviewing, and monitoring framework
26. This organisational refresh has not precluded operational activities from effectively responding to events and there are a number of existing processes to manage a wide range of incidents. Recent examples include the 'bad weather readiness' team with members from 10+ business units, which responded effectively to a significant power outage across the North-East of Hamilton. The rollout of the organisational programme will strengthen and enable these existing processes.

Financial Considerations - *Whaiwhakaaro Puutea*

27. This is a regular operating activity funded through the Long-Term Plan and there are no financial implications in relation to receiving this report.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

28. Staff confirm that this report complies with Council's legal and policy requirements.
29. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matters in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

30. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
31. The subject matter of this report has been evaluated in terms of the 4 wellbeings' during the process of developing this report as outlined below.
32. The recommendations set out in this report are consistent with that purpose.

Social

33. The risks highlighted in this report have the capacity to affect social wellbeing should they materialise. Social wellbeing continues to be prioritised through Council's management of the risks and opportunities arising from the risks outlined in this report.

Economic

34. The risks highlighted in this report have the capacity to affect economic wellbeing should they materialise. Threats and opportunities relating to external material and human resources could impact on economic wellbeing locally, regionally, nationally, and globally. Council's management of the risks and opportunities in this report continues to reflect the impact on economic wellbeing.

Environmental

35. Council continues to manage its response to the impact on the environment by establishing services that are safe and sustainable and embedding climate change considerations into priority projects across Council. Finding opportunities such as this means that environmental wellbeing continues to be prioritised.

Cultural

36. Staff consider the matters set out in this report do not have a direct impact on cultural wellbeing.

Risks - *Tuuraru*

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

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

38. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a medium level of significance.
39. Community views and preferences are already known to the Council.
40. Given the medium level of significance determined, the engagement level is medium. No engagement is required.

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 18 June 2024
Author: Michelle Hawthorne
Authoriser: David Bryant
Position: Governance and Assurance Manager
Position: General Manager Business Services
Report Name: Compliance Reporting Update

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee of any protected disclosures or instances of fraud or corruption since the last Strategic Risk and Assurance Committee meeting. To inform the Strategic Risk and Assurance Committee of any matters of significant non-compliance with the Privacy Act 2020.
2. To inform the Strategic Risk and Assurance Committee of the status of Council's policy reviews.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Strategic Risk and Assurance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

4. There are no protected disclosures to report since the last Strategic Risk and Assurance Committee meeting.
5. There is one instance of attempted third-party fraud or corruption to report since the last Strategic Risk and Assurance Committee meeting.
6. There is no significant non-compliance with the Privacy Act 2020 to report since the last Strategic Risk and Assurance Committee meeting.
7. A list of current Council and Management Policies is attached to the report as **Attachment 1**. The last table at the end of Attachment 1 shows a desk top analysis of policy review prioritisation as requested as a staff action by the Committee.
8. Staff consider the matters in this report have a low level of significance and that the recommendations comply with Council's legal requirements.

Background - *Koorero whaimaarama*

Protected Disclosures

9. Council has a current Protected Disclosures Management Policy. The purpose of the Protected Disclosures Policy is to set out procedures enabling employees (defined broadly in the policy) to disclose allegations of serious wrongdoing to designated officers, without fear of reprisal.

10. At each meeting the Strategic Risk and Assurance Committee is advised of any protected disclosures that have been made since the Committee last met. The Strategic Risk and Assurance Committee is also advised of any reports on investigations into past disclosures that have been completed since the Committee last met.

Fraud and Corruption

11. Council has a Fraud and Corruption Management Policy in place.
12. The purpose of the Fraud and Corruption Management Policy is to prevent fraud and/or corruption and ensure the overall integrity and performance of Council. It provides a consistent and transparent approach to reporting and responding to allegations of fraud and/or corruption.
13. In accordance with the Fraud and Corruption Management Policy, allegations are investigated to determine if there is an actual, perceived, or potential instance of fraud and/or corruption involving an employee, representative, or external party to Council.
14. If an allegation of fraud or corruption is established, the Fraud and Corruption Management Policy requires the incident to be reported to the Chair of the Strategic Risk and Assurance Committee and for an appropriate response plan to be developed.

Discussion - *Matapaki*

Protected Disclosures

15. There are no protected disclosures to report to the Strategic Risk and Assurance Committee.

Fraud and Corruption

16. One instance of attempted third party fraud or corruption has been established since the Strategic Risk and Assurance Committee last met. Details of this matter are covered in the Cyber Risk Public Excluded Report in this agenda.
17. The Committee was updated at its last meeting on the fraud perpetrated by a third party in relation to Building Consents. This was subsequently report to Council and a further update is provided in the Legal Risk Public Excluded Report in this agenda.

Privacy Act 2020

18. There are no notifiable breaches of the Privacy Act 2020 to report to the Committee.

Council and Management Policy Schedule

19. The Strategic Risk and Assurance Committee chair has requested a list of current Council and Management Policies for review. These are attached to the report as **Attachment 1** and is current as of 6 June 2024. The details of the list can be discussed at the Committee meeting. The last table at the end of **Attachment 1** shows a desk top analysis of policy review prioritisation as requested as a staff action by the Committee.

Financial Considerations - *Whaiwhakaaro Puutea*

19. This is a regular operating activity funded through the Long-Term Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

20. Staff confirm that the staff recommendation complies with the Council's legal and policy requirements.

20. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matter(s) in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Risks - *Tuuraru*

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

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

25. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.
26. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Policy Compliance Update - 18 June 2024

Policy update as of 6 June 2024

Key

	Current
	Review Deferred, paused or due for review
	Under review

Council/committee policies

Committee	Policy	Sponsor/ Group	Last reviewed date	Next review date	Status	Related Legislation
Infrastructure and Transport	Streetscape Beautification and Verge Maintenance Policy	GM Infrastructure and Assets & GM Customer and Community	Nov-12	Nov-18	Under review	n/a
Community & Natural Environment	Dog Control Policy	GM Customer and Community	May-15	Feb-23	Under review	Dog Control Act 1996
Council	Corporate Hospitality and Entertainment Policy	GM Business Services	Jul-15	Jul-18	Under review	Remuneration Authority Guidelines
Infrastructure and Transport	Hamilton Gateways Policy	GM Infrastructure and Assets	Dec-15	Oct-18	Under review	n/a
Community & Natural Environment	Citizens Initiated Referenda Policy	GM Business Services	Jul-16	Jul-19	Review Deferred	Local Electoral Act 2001
Community & Natural Environment	Psychoactive Substances (Local Approved Products) Policy	GM Strategy, Growth and Planning	Oct-18	Oct-23	Review Deferred	Psychoactive Substances Act 2013
Community & Natural Environment	Community Occupancy Policy	GM Customer and Community	Nov-18	Apr-21	Under review	Reserves Act 1997
Strategic Risk & Assurance	Risk Management Policy	GM Business Services	Dec-23	Dec-27	Current	n/a
Community & Natural Environment	Smokefree and Vape free Outdoor Areas Policy	GM Customer and Community	Sep-20	Sep-23	Review Deferred	n/a
Infrastructure and Transport	Three Waters Connections Policy	GM Infrastructure and Assets	Sep-20	Sep-23	Under review	Waikato River Settlement Act 2010
Community & Natural Environment	City Honours Policy	GM Partnerships, Communication and Maaori	Oct-20	Oct-23	Review Deferred	n/a
Community & Natural Environment	Domain Endowment Fund Policy	GM Customer and Community	Nov-20	Nov-23	Review Deferred	n/a
Community & Natural Environment	Trading in Public Places Policy	GM Customer and Community	Dec-20	Dec-23	Under review	n/a
Economic Development	International Relations Policy	GM Business Services	Mar-21	Mar-24	Under review	n/a
Strategic Growth and District Plan	Growth Funding Policy	GM Strategy, Growth and Planning	Jun-21	Jun-23	Under Review	Local Government Act 2002; Local Government Rating Act 2002

Committee	Policy	Sponsor/ Group	Last reviewed date	Next review date	Status	Related Legislation
Finance and Monitoring	Funding Needs Analysis Policy	GM Business Services	Jun-21	Jun-24	Under Review	Local Government Act 2002
Finance and Monitoring	Investment and Liability Management Policy	GM Business Services	Jun-21	Jun-24	Under Review	Local Government Act 2002
Finance and Monitoring	Rating Policy	GM Business Services	Jun-21	Jun-24	Under review	Local Government Act 2002; Local Government Rating Act 2002
Finance and Monitoring	Revenue and Financing Policy	GM Business Services	Jun-21	Jun-24	Under review	Local Government Act 2002
Economic Development	Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy	GM Business Services	Jun-21	Nov-22	Review Deferred	Local Government Act 2002
Economic Development	Freeholding of Council Endowment Land Policy	GM Strategy, Growth and Planning	Aug-21	Aug-24	Current	Hamilton Domain Endowment Act 1979
Council	Delegations to officers specific to the Resource Management Act 1991	GM Strategy, Growth and Planning	Oct-21	Oct-24	Current	Resource Management Act 1991
Community & Natural Environment	Monuments and Memorial Art Policy	GM Customer and Community	Nov-21	Nov-24	Current	n/a
Community & Natural Environment	Permanent Public Art Policy	GM Customer and Community	Nov-21	Nov-24	Current	n/a
Economic Development	Event Sponsorship Policy	GM Venues, Tourism and Events	Mar-22	Mar-25	Current	n/a
Council	Climate Change Policy	GM Strategy, Growth and Planning	Jun-22	Jun-27	Current	n/a
Community & Natural Environment	Naming of Roads, Open Spaces and Council Facilities Policy	GM Infrastructure and Assets	Jun-22	Jun-25	Current	n/a
Strategic Growth and District Plan	Development Contributions Policy	GM Strategy, Growth and Planning	Jun-22	Jun-24	Under review	Local Government Act 2002
Finance and Monitoring	Rates Remissions and Postponements Policy	GM Business Services	Jun-22	Jun-24	Under review	Local Government Act 2002
Infrastructure and Transport	Hamilton Parking Policy (incorporating demand responsive parking pricing)	GM Infrastructure and Assets	Mar-24	Mar-27	Current	n/a
Community & Natural Environment	Disability Policy	GM Customer and Community	Sep-22	Sep-25	Current	n/a
Council	Elected Members Support Policy	GM Business Services	Nov-22	Nov-25	Current	Local Government Act 2002

Committee	Policy	Sponsor/ Group	Last reviewed date	Next review date	Status	Related Legislation
Strategic Growth and District Plan	Sale and Disposal of Council Land Policy	GM Strategy, Growth and Planning	May-23	May-26	Current	n/a
Council	Delegations to Positions Policy	GM Business Services	Jun-23	Jun-26	Current	Local Government Act 2002
Infrastructure and Transport	Dangerous and Insanitary Buildings Policy	GM Customer and Community	Aug-23	Aug-26	Current	Building Act 2004
Community & Natural Environment	TAB Board Venue Policy	GM Strategy, Growth and Planning	Oct-23	Oct-26	Current	Racing Industry Act 2020
Community & Natural Environment	Class 4 Gambling Venue Policy	GM Strategy, Growth and Planning	Oct-23	Oct-26	Current	Gambling Act 2003
Community & Natural Environment	Community Grants Policy	GM Partnerships, Communication and Maaori	Oct-23	Oct-26	Current	n/a
Economic Development	Municipal Endowment Fund Policy	GM Strategy, Growth and Planning	Oct-23	Oct-26	Current	n/a
Community & Natural Environment	External Funding Applications Policy	GM Partnerships, Communication and Maaori	Oct-23	Oct-26	Current	n/a
Council	Significance and Engagement Policy	GM Partnerships, Communication and Maaori	Dec-23	Dec-26	Current	Local Government Act 2002
Economic Development	Business Improvement District (BID) Policy 2019	GM Strategy, Growth and Planning	Apr-24	Jun-25	Current	n/a
Community & Natural Environment Finance and Monitoring	Open Space Provision Policy	GM Customer and Community	Apr-24	Apr-27	Current	n/a
	Procurement Policy	GM Business Services	proposed	proposed	development deferred	
Council	Te Tiriti o Waitangi Statement (new)	GM Partnerships, Communication and Maaori	proposed	proposed	in development	Local Government Act 2002
Community & Natural Environment	Tree Policy (new)	GM Customer and Community	proposed	proposed	in development	n/a
Community & Natural Environment	Provisional Local Alcohol Policy (LAP)	GM Customer and Community	proposed	proposed	paused	Sale and Supply of Alcohol Act 2012

Bylaws

Committee	Policy	Sponsor/Group	Next review date	Status
Community and Natural Environment	Cultural and Recreational Facilities Bylaw 2012	GM Customer and Community	Revoked Feb 24	Revoked
Community and Natural Environment	Animal Nuisance Bylaw 2013	GM Customer and Community	Jul-23	Under review alongside Dog Control Bylaw (2023 - 2024)
Infrastructure and Transport	Water Supply Bylaw 2013	GM Infrastructure and Assets	Nov-34	Current
Community and Natural Environment	Dog Control Bylaw 2015	GM Customer and Community	May-25	Under review alongside Animal Control Bylaw (2023-2024)
Community and Natural Environment	Alcohol Control Bylaw 2015	GM Customer and Community	Dec-25	Current
Community and Natural Environment	Public Places Bylaw 2016	GM Customer and Community	Feb-26	Current
Community and Natural Environment	Parks, Domains and Reserves Bylaw 2019	GM Customer and Community	Jun-29	Current
Community and Natural Environment	Prostitution Bylaw 2019	GM Customer and Community	Jul-29	Current
Infrastructure and Transport	Waste Management and Minimisation Bylaw 2019	GM Infrastructure and Assets	Nov-29	Current
Community and Natural Environment	Safety in Public Places Bylaw 2020	GM Customer and Community	Oct-30	Current
Infrastructure and Transport	Traffic Bylaw 2021	GM Infrastructure and Assets	Dec-31	Current
Infrastructure and Transport	Trade Waste and Wastewater Bylaw 2016	GM Infrastructure and Assets	Jul-33	Current
Community and Natural Environment	Cemeteries and Crematorium Bylaw 2012	GM Customer and Community	Apr-34	Current
Infrastructure and Transport	Stormwater Bylaw 2021	GM Infrastructure and Assets	April/October 2031	Current
Community and Natural Environment	Alcohol Control (Fees) Bylaw	GM Customer & Community	new	Proposed

Management Policies

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
Records Management	Defines the role and functions of Records Management and establishes the principles and responsibilities of Hamilton City Council and its officers to ensure appropriate management of records..	Dec-14	Dec-17	Review Deferred	Information Systems	Business Services
Herbicide Use	To provide high level guidelines around the use of herbicides in the management of unwanted vegetation.	Mar-15	Mar-18	Review Deferred	Customer and Community	Customer and Community
Smoke Free Workplace	To provide a healthy work environment for workers and visitors to our facilities and open spaces. It is an additional requirement that sets our minimum standard above current legislation to prevent the detrimental effects of smoking on	Oct-16	Mar-20	Under review	People, Safety & Wellness	People, Performance and Culture

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
	the health of people who do not smoke, or who do not wish to smoke.					
Gifts and Hospitality	To explain the principles and procedures for Council Staff to follow when considering whether to accept or decline offers of Gifts or Hospitality. To outline the organisation's approach to asset management to ensure the City's physical infrastructure is managed in a way that delivers the desired level of service in a sustainable, well planned and cost effective manner.	Jun-23	Jun-26	Current	Finance	Business Services
Asset Management	To outline approved policies and procedures in respect of all treasury activity to be undertaken by Hamilton City Council ("HCC"). The formalisation of such policies and procedures will enable treasury risks within HCC to be prudently managed.	Jun-18	Jun-26	Current	Programme Manager, Assets Strategy	Infrastructure and Assets
Treasury	To guide the growth, development and management of the Museum's collection.	Mar-24	Mar-27	Current	Finance	Business Services
Museum Collection	To set out Council's commitment to fair, transparent and appropriate dealings with customers and the principles that guide this commitment and provide a management framework for dealing with unreasonable customer conduct	Apr-24	Apr-27	Current	Museum	Venues, Tourism and Events
Unreasonable Customer Conduct Policy	To outline the guidelines for Councils collection, storage and use of images collected.	Aug-23	Aug-26	Current	Customer Services	Customer and Community
Surveillance Camera	To provide procedure for execution and signing of documents having legal significance.	Oct-18	Oct-21	Under review	City Safe	Customer and Community
Execution of Documents	To ensure that all computer systems and networks owned or managed by HCC are operated in an effective, safe, ethical and lawful manner and it is the responsibility of every computer user to know these requirements and to comply with them.	Nov-19	Nov-21	Due for review	Governance and Assurance	Business Services
Acceptable Use	To ensure Council retains ownership and rights of use of its assets, information, and intellectual property.	Jan-18	Nov-21	Under review	Information Systems	Business Services
Intellectual Property and Ownership Rights	To provide guidance for how Council will apply their obligations under the Fencing Act 1978 in regard to contributions towards fences that share a boundary	Dec-18	Dec-21	Review Deferred	People, Safety & Wellness	People, Performance and Culture
Fencing		Feb-19	Feb-22	Under review	City Infrastructure	Infrastructure and Assets

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
Capitalisation	To provide guidance to council officers around the recognition and treatment of capital costs, revaluation, depreciation, impairment, disposal and accounting for assets.	Mar-19	Mar-22	Under review	Finance	Business Services
Compliance	To provide the principles and set the expectations for how the Council will manage and achieve compliance in all areas of its operations.	Dec-23	Dec-26	Current	Governance and Assurance	Business Services
H3 Venue Conditions of Entry	To provide guidelines and support for the implementation of Conditions of Entry at Hamilton City Council event venues managed by H3.	Aug-19	Jun-22	Under review	H3	Venues, Tourism and Events
Encroachment Policy	To enable Council to reasonably control encroachments into Road Reserves and Reserves This policy provides the principles and sets the expectations for how Hamilton City Council will provide business continuity management with respect to its critical functions. It should be read alongside the Business Continuity Management Standards and Guidelines, which provide guidance for staff on how to meet those expectations in practice.	Aug-19	Aug-22	Under review	City Transportation	Infrastructure and Assets
Business Continuity	To set out Council's commitment in protecting the wellbeing of all staff who may be subject to or perpetrators of Domestic Violence.	Aug-19	Aug-22	Under review	Governance and Assurance	Business Services
Domestic Violence Leave	To control visitors' exposure to work place hazards and to control visitor access for all council buildings.	Sep-19	Sep-22	Due for review	People, Safety & Wellness	People, Performance and Culture
Visitor Control	To minimise energy consumption and greenhouse gas emissions across the organisation in accordance with our sustainability principles.	Oct-23	Oct-26	Current	Facilities	Business Services
Energy and Carbon Management	Our remuneration supports our strategy to attract and retain talented people to achieve key community outcomes that help to improve the wellbeing of Hamiltonians.	Nov-19	Nov-22	Due for review	Facilities	Business Services
Remuneration	To support the achievement of organisational goals and objectives by supporting staff to balance their work and personal lives. In turn, this is expected to enhance the attraction, retention and productivity of our people.	Apr-24	Apr-27	Current	People, Safety & Wellness	People, Performance and Culture
Flexible Working Arrangements	To provide guidance on how HCC manages Leave. This policy should	Oct-20	Oct-23	Under review	People, Safety & Wellness	People, Performance and Culture
Leave		Oct-23	Oct-26	Current	People, Safety & Wellness	People, Performance and Culture

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
	be read in conjunction with the relevant employment agreement.					
Hamilton City Libraries Collection	To provide a framework for the development and management of Hamilton City Libraries' collections. This Policy is to provide Council staff with clear guidelines relating to procurement and ensure any Hamilton City Council procurement is made appropriately and in line with good public sector practice.	Nov-20	Nov-23	Current	Hamilton Libraries	Customer and Community
Procurement Policy and Procedures Manual	To take all practicable measures to protect young people under the age of 18 years by providing a safe environment for children attending council-owned and operated facilities. Hamilton City Council will work in partnership with government and social development agencies to ensure the safety and wellbeing of children whilst meeting the requirements of the Vulnerable Children's Act (2014).	Dec-21	Dec-24	Current	Procurement	Business Services
Child Protection	To contribute to all aspects of Hamilton City Council's organisational health and safety performance as part of a demonstrable commitment to continuous improvement in health and safety.	Jan-22	Jan-25	Current	People, Safety & Wellness	People, Performance and Culture
Health and Safety	To ensure that the recruitment and selection of HCC staff is undertaken in a fair, consistent, transparent and cost effective way.	Jan-22	Jan-25	Current	People, Safety & Wellness	People, Performance and Culture
Recruitment and Selection	To provide guidance to Council officers on issuing infringement notices under the Litter Act 1979.	Jan-22	Jan-25	Current	People, Safety & Wellness	People, Performance and Culture
Litter Enforcement	To ensure that Hamilton City Council (HCC) meets the requirements of the Civil Defence Act 2002 and is able to effectively and efficiently respond to and recover from an emergency event.	Jan-22	Jan-25	Current	Unit Director Sustainable Resource Recovery	Infrastructure and Assets
Civil Defence and Emergency Management	To help employees understand and balance their role in a politically neutral public organisation, with their right to participate in the local democratic process and local elections.	Mar-22	Mar-25	Current	Risk & Emergency Management	Customer and Community
Staff Election Protocols	to ensure Council staff understand our process to take a coordinated and consistent approach to communicating with the public and media.	Mar-22	Mar-25	Current	Governance and Assurance	Business Services
Media and Social Media		Jun-22	Jun-25	Current	Communications	Partnerships, Communication and Maaori

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
Revaluation	To outline the organisations approach to revaluations to ensure that the value and depreciation held for the City assets is accurate.	Jun-22	Jun-25	Current	Finance	People, Performance and Culture
Workplace Diversity and Inclusion Policy	To ensure all Council employees work in an environment where diversity and inclusion (D&I) is encouraged, respected and embraced in day-to-day operations; individuals are supported. Recognised as valuable. Treated with respect, positively included and feel safe; and Council's commitment to D&I in the workplace helps us to be inclusive in our engagement with the community and delivery of services. Note this includes the Rainbow Policy and, in future, Religion Policy, ethnicity Policy etc.	Aug-22	Aug-25	Current	People, Safety & Wellness	People, Performance and Culture
LGOIMA Charging Policy	To provide guidance on when and how HCC will charge for LGOIMAs and the considerations in doing so.	Aug-22	Feb-27	Current	Governance and Assurance	Business Support
Fleet	To ensure that Council fleet is operated and managed in a manner that is fit for purpose, cost efficient, safe, lawful, and reduces carbon emissions.	Oct-22	Oct-25	Current	Facilities	Business Support
Cash Handling	To ensure that there is consistent cash management practices which minimise risk and hazards, and enable cash handling processing to be carried out in a safe and secure manner.	Oct-22	Oct-25	Current	Finance	Business Support
Membership of Professional Organisations	To specify the circumstances when Council will pay for/reimburse the cost of professional membership fees for Council employees.	Oct-22	Oct-25	Current	Finance	Business Support
Study Assistance Policy	To support staff who wish to continue to develop their personal and/or professional skills through further study, in support of their career development whilst working at Council. The purpose of this Policy is to outline relevant information in support of staff pursuing further study through approval, which is relevant and beneficial to both the staff member and Council.	Nov-22	Nov-25	Current	People, Safety & Wellness	People, Performance and Culture

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
Drug and Alcohol	To: show our responsibility and commitment to ensure a safe and healthy workplace for our staff; ensure that our staff can work in an environment free of alcohol and drug use or abuse; outline Council's expectations and requirements for creating and maintaining an alcohol and drug-free work environment and for dealing with substance abuse in the workplace; and provide an opportunity to staff members with a substance use problem to get well.	Nov-22	Nov-25	Current	People, Safety & Wellness	People, Performance and Culture
Bullying, Harassment and Discrimination	To provide a safe and supportive working environment for all its employees and customers. To promote awareness of the issues and define workplace harassment, bullying, discrimination and conflict.	Dec-22	Dec-25	Current	People, Safety & Wellness	People, Performance and Culture
Performance Management and Disciplinary	To ensure that HCC has a performance management and disciplinary process that is fair, transparent and applied consistently.	Dec-22	Dec-25	Current	People, Safety & Wellness	People, Performance and Culture
Code of Conduct	To set out the rules and expectations of staff while they are employees at Hamilton City Council.	Dec-22	Dec-25	Current	People, Safety & Wellness	People, Performance and Culture
Lone Worker	Establish policy to protect lone workers.	Apr-24	Apr-27	Current	People, Safety & Wellness	People, Performance and Culture
Customer Feedback	This customer feedback policy sets out how Council will adhere to good governance obligations in relation to complaints, compliments, and customer insights about our services as the territorial authority for the people of Hamilton.	Aug-23	Aug-26	Current	Customer	Customer and Community
AI Use	To ensure all staff understand the implications of using AI for work, while ensuring compliance with legislation such as the Privacy Act			Proposed	IS	
Acquisition of Land (New)	To ensure clear guidance on process, including reporting, and due diligence by staff to support the acquisition of land for Council.			Proposed	Growth	
Debt Management	To support organisational debt management.			Proposed	Finance	
MANAGEMENT POLICY WITH STRATEGIC RISK AND ASSURANCE COMMITTEE OVERSIGHT						

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
Conflicts of Interest	To ensure staff are aware of and declare actual and potential conflicts of interest between their employment and their activities outside of work.	Nov-22	Nov-25	Current	People, Safety & Wellness	People, Performance and Culture
Sensitive Expenditure	To provide Council staff with clear guidelines relating to Sensitive Expenditure and ensure any HCC expenditure is made appropriately and in line with good public sector practice.	Apr-24	Apr-27	Current	Finance	Business Support
Protected Disclosure	If an employee discovers information which they believe shows serious wrongdoing within the organisation, there should be established procedures which enable the employee to disclose such information without fear of reprisal	Sep-22	Sep-25	Current	Governance and Assurance	People, Performance and Culture
Fraud and Corruption	To prevent fraud and/or corruption and ensure the overall integrity and performance of Council. This policy provides a consistent and transparent approach to all allegations of fraud and/or corruption.	Jun-23	Jun-26	Current	Governance and Assurance	Business Support
DELEGATIONS MANAGEMENT POLICIES						
Delegations to Officers under the Public Works Act 1981	To set out the delegations from the Chief Executive to Council Officers under the Public Works Act 1981.	Oct-23	Oct-26	Under review	Strategy, Growth and Planning	Strategy, Growth and Planning
Financial Delegations to Officers	To ensure consistency in carrying out activities and to ensure that the authority to commit (or bind) Council to arrangements with third parties (suppliers, vendors, contractors, tenants, event promoters, sales agencies, CCO's, government departments and statutory organisations, etc.) is properly delegated and correctly monitored.	Dec-23	Dec-26	Under review	Finance	People, Performance and Culture
Delegations to Officers under the Trespass Act 1980	To set out the delegations from the Chief Executive to Council Officers under the Trespass Act 1980.	Dec-20	Dec-23	Under review	Customer and Community	Customer and Community
Delegations to Growth Officers and City Safe Unit Officers (excluding delegations)	To set out the delegations from the Chief Executive to Council officers in Growth and the City Safe Unit.	Jul-21	Jul-24	Under review	Strategy, Growth and Planning	Strategy, Growth and Planning

Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Group
under the RMA)						
Delegations to City Infrastructure Officers	To set out the delegations from the Chief Executive to Council Officers in City Infrastructure.	Sep-18	Sep-21	Under review	Infrastructure and Assets	Infrastructure and Assets
Policy Statements						
Privacy Statement	To outline how Council will comply with the 13 information privacy principles outlined in the Privacy Act 2020.	Apr-24	Apr-27	Current	Governance and Assurance	Business Services

Draft desktop Prioritisation Assessment of Policy Programme by legislation and organisational risk

Purpose: To assess current policy programme given internal reduced resources, cost pressures and staff capacity

Key

Required (high impact)	Required by legislation and high organisational impact if not current
Optional (possible high impact)	Provided for or optional by legislation and/or possible high organisation impact if not current/revoked
Optional (medium impact)	Option by legislation and medium organisational impact if not current/revoked.
Optional (low impact)	Optional by legislation and low organisation impact if not current/revoked

Findings

Required (high impact)	<p>Appointment and Remuneration of Board Members of COs, CCOs, & CCTOs</p> <p>Class 4 Gambling Venue</p> <p>Dangerous and Insanitary Buildings</p> <p>Delegations to Officers Specific to the RMA 1991</p> <p>Delegations to Positions</p> <p>Development Contributions</p> <p>Dog Control</p> <p>Elected Members Support</p> <p>Investment and Liability Management</p> <p>Rates Remissions and Postponements</p> <p>Revenue and Financing</p> <p>Significance and Engagement</p> <p>TAB Board Venue</p>
	13/45 policies (29%)
Optional (possible high impact)	<p>Funding Needs Analysis</p> <p>Growth Funding</p> <p>Hamilton Parking</p> <p>Open Space Provision</p> <p>Privacy Statement Procurement</p> <p>Rating</p> <p>Risk Management</p> <p>Three Waters Connections</p>
	8/45 policies (18%)
Optional (medium impact)	<p>Business Improvement District (BID)</p> <p>Climate Change</p> <p>Community Grants</p> <p>Community Occupancy</p> <p>Disability</p> <p>Event Sponsorship</p> <p>External Funding Applications</p> <p>Hamilton Gateways</p> <p>Monuments and Memorial Art</p> <p>Naming of Roads, Open Spaces and Council Facilities</p> <p>Permanent Art</p> <p>Psychoactive Substances and Locally Approved Products*</p> <p>Sale and Disposal of Council Land</p> <p>Streetscape Beautification and Verge Management</p> <p>Tree Policy (in development)</p>
	15/45 policies (33%)
Optional (low impact)	<p>Citizens Initiated Referenda</p> <p>City Honours</p> <p>Corporate Hospitality and Entertainment</p> <p>Domain Endowment Fund</p> <p>Freeholding of Council Endowment Land</p> <p>International Relations</p> <p>Municipal Endowment Fund</p> <p>Smokefree and Vapefree Outdoor Areas</p> <p>Trading in Public Places</p>
	9/45 policies (20%)

Council Report

Item 11

Committee: Strategic Risk and Assurance Committee

Date: 18 June 2024

Author: Julia Kofoed

Authoriser: David Bryant

Position: Insurance Lead

Position: General Manager Business Services

Report Name: Annual Pre-Renewal Insurance Report

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on the general insurance activity across Council in preparation for the 2024/2025 annual insurance renewal.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee:
 - a) receives the report;
 - b) notes the market commentary and approach for the 2024/2025 insurance renewal.

Executive Summary - *Whakaraapopototanga matua*

3. Council purchases its insurance programme as a collective through Co-Lab, (the Waikato Local Authority Shared Service), with Aon New Zealand (Aon) as the appointed broker. The purpose of this relationship is to leverage the region's collective insurance requirements, deliver economies of scale through reduced brokerage costs and reduce the impact of fluctuations in premium costs and market capacity.
4. The insurance programme is regarded as a risk management tool to mitigate financial loss associated with unforeseen and significant adverse events.
5. Council's insurance policies have a common annual renewal date of 1 November. Work is underway to prepare for the upcoming renewal of policies for the 2024/2025 renewal year.
6. Staff are working with Aon to provide improved renewal data and disclosures to the insurance market to ensure policy coverage and limits remain fit for purpose.
7. At present revised premium projections can be managed within the existing budgets and staff will continue to work with Aon to understand market indications alongside other factors that affect premiums. Other factors include new assets reaching completion, increased replacement values and modifications to policy structure including excess or limit changes.
8. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Insurance Market Commentary

9. The overall market for general insurance remains challenging. An increasing number of weather-related claims alongside inflationary pressures continued to drive insurance pricing. Just over 50 percent of Council's 2023/2024 renewal premium related to the material damage policy. The property market, where this insurance is placed, continued to present challenges for insureds, though this was felt more by insureds with higher earthquake and flood risk following the 2023 Auckland Anniversary floods and Cyclone Gabrielle. These events are noted as two of the costliest weather events on record for New Zealand at USD7.1 billion. Questions have also been raised in the market regarding the robustness of loss models and rate adequacy for secondary perils. Events that typically generate small to medium size losses, such as flood and storm, are usually considered 'secondary perils', as compared to 'primary perils' which are generally those that have the highest loss potential and which catastrophe loss modelling is based on, such as earthquake.
10. In New Zealand, the capacity that the local property insurance market is prepared to provide has been constrained and there has been an increased flow of premium to the London markets. Insureds with a compelling risk management narrative, healthy loss record and benign exposures achieved superior outcomes in the market. At last year's renewal there was no change to the proportion of Council policies placed locally or through the London markets, however, to a lesser extent this market movement was felt when the lead insurer on the primary material damage layer reduced their percentage share on the policy. Capacity was however able to be filled by another local insurer already on the placement.
11. Liability insurers continued to implement changes to their portfolios to improve performance, including rate increases, higher deductibles, and reduced coverages on underperforming risks. Insurers were willing to differentiate individual risks rewarding those with quality submissions and healthy risk profiles. Aon's liability programme remains strong and the market is stabilising following years of significant premium adjustments.
12. The motor insurance market continues to be impacted by the increased cost of repairs and delay in spare parts caused by global supply chain issues. Insurers remained prudent and continued to impose rate increases and higher deductibles on claims impacted risks while demonstrating flexibility on well performing risks. The adoption of electric vehicles with enhanced technology components increased average replacement costs. During the 2023/2024 renewal Council opted to increase the deductible on the motor policy to \$2,500 which was welcomed by the insurer. Staff are now collaboratively working with the insurer on options for reducing claim cost and vehicle repair down time.
13. Market conditions for cyber are favourable despite a spate of high-profile cyber incidents impacting millions of organisations and individuals over the last five years. Insured organisations who were able to demonstrate an ongoing commitment to cyber security improvements saw premium reductions, abundant capacity, and broader covers. Council does not carry cyber insurance however paragraph 24 discusses the approach for this year's renewal in line with these market observations.
14. Further insurance market analysis for the Pacific is provided by Aon in their Q1 2024 Pacific Market Overview (**Attachment 1**).

2024/2025 Renewal Approach

15. Council purchases its insurance programme under the collective agreement with Co-Lab with Aon as the appointed broker. The purpose of this relationship is to leverage the region's collective insurance requirements and deliver economies of scale.

16. Council insures for a probable maximum loss reinstatement value for the material damage, business interruption and infrastructure policies. This is as opposed to insuring the full replacement value of all Council assets. This approach allows spend on premium to be balanced with associated risk and likelihood of a major event. Loss modelling has historically been used to validate upper limits that are purchased.
17. The infrastructure placement provides partial catastrophe cover following a natural disaster for underground water reticulation assets and key high value bridges that are deemed critical to the water network. Council will continue to purchase the same level of cover for declared values adjusted in line with the most recent asset revaluation exercise.
18. Material damage and business interruption cover is purchased for assets listed on Council's property schedule with cover extending beyond natural disasters to include other perils including but not limited to fire, theft, and vandalism. The property schedule is mainly made up of buildings and above ground structures (for example destination playgrounds, feature gardens, reservoirs) and their associated contents, plant, and equipment.
19. Though Council purchases policies with loss limits, individual assets are listed for their full insurance replacement value. Exceptions are made where assets are intended to be demolished or have been impaired. These assets are insured for their demolition value only. Material damage values for the 2024/2025 renewal will be informed by the most current asset revaluations or updated for inflation where valuations are not available.
20. Council's purchased upper limits are informed by loss modelling which is an exercise completed by external risk specialists. Loss modelling is used to estimate the potential financial impact of a catastrophe event.
21. Loss modelling for the material damage policy (above ground assets) is planned for this year's renewal. Fire loss limit modelling was completed in 2023 however, other modelling for above ground assets was put on hold given the uncertainty with the waters assets which make up a significant proportion of the portfolio. Above ground loss modelling is now planned with the outcome to be available prior to the 1 November 2024 renewal date. Staff are currently working through a final proposal for this exercise. The current policy limit is \$300 million for all other losses (excluding fire) with the last full modelling exercise completed in 2016.
22. The planned loss modelling will be based on earthquake, which in New Zealand is the predominant peril that drives the largest losses. The loss assessment will be high-level, desktop-based and will use the latest earthquake hazard information, including information on susceptibility to earthquake-induced liquefaction or landslides, combined with the potential vulnerability of the insured Council assets to earthquake actions. The model is informed by the National Seismic Hazard Model which is widely used by government, industry, reinsurers, and insurers to estimate earthquake risk. It was recently updated to include the latest science, data, and knowledge from significant earthquakes around New Zealand over the last two decades (including Canterbury and Kaikoura).
23. Council purchases an overall limit of \$160M of professional indemnity and public liability insurance and intends to renew cover at these levels. Staff continue to work with teams across Council to improve liability disclosures throughout the year, as well as at renewal.
24. Council does not hold liability insurance for cyber related incidents and has in previous reports to this committee noted that staff are engaged in several projects to improve our security position. With the cyber insurance market softening per the earlier comments in this report, prior to the 1 November renewal staff plan to complete an insurance proposal to understand Council's eligibility for cyber insurance.

25. Within Aon's Q1 2024 market observations (refer **Attachment 1**) advice to clients was provided. The table below outlines this advice and provides an update from staff on Council's current insurance position and budgetary considerations in line with the renewal approach for this year.

Aon's Advice to Clients	Current HCC Insurance Position	Budgetary Considerations
<p><i>Leverage consulting and analytics:</i></p> <p><i>Use strategic consulting and analytics to refine your risk tolerance, adjust risk transfer strategies, and analyse risk financing solutions as well as to differentiate your risk profile at renewal.</i></p>	<p>Staff have spent a number of years investing time and resource into validating the above and below ground valuations for assets to ensure values and attributes are current, valid, and fit for purpose.</p> <p>The intention of this is to know with a level of certainty the assets Council has and be sure the values are accurate before any loss modelling exercises were completed so the output from loss modelling can be relied upon.</p> <p>For the last two years a small budget has been held to complete loss modelling. In 2023 loss modelling for the material damage fire limit was completed delivering a small cost savings to Council.</p> <p>In 2024 loss modelling for above and below ground assets under material damage and infrastructure placements was proposed however only material damage will be able to be completed for this year due to budget constraints.</p> <p>The loss limit for material damage is prioritised for modelling as this has not been reviewed since 2016 whereas the group limit for infrastructure was reviewed in 2021.</p>	<p>Funding for these activities is not guaranteed in the next LTP. Without ongoing funding for loss modelling upper limits cannot be validated. In the event of a large loss event or series of events in the insurance year that exceeds our aggregate loss limit, Council will be uninsured above the current values.</p> <p>Lack of support from the Waikato group has meant no group loss modelling exercises can be completed. Group buy in also provides economies of scale for loss modelling exercises. These cost savings are not available to Council where the group will not participate in loss modelling exercises. As the largest participant in the group HCC drives the upper loss limit, pays the largest proportion of premium and brokerage fee.</p>
<p><i>Describe your valuation methodology:</i></p> <p><i>Clearly articulate your replacement cost valuation approach and how you adjust for inflation to avoid average (co-insurance) clauses.</i></p>	<p>In line with the comments above, asset schedules are reviewed regularly by staff and values are linked to sources of truth. Insurance valuations are commissioned as necessary. In years when valuations are not provided, asset schedules are updated in line with current inflationary provisions sourced from Statistics NZ and based on asset type.</p>	<p>The Insurance team holds a small fund to commission insurance valuations where teams have no budget to do these and where other valuation exercises cannot be leveraged. If this budget is removed the insurance team will have no ability to support teams to ensure their values are current and valid.</p>

Aon's Advice to Clients	Current HCC Insurance Position	Budgetary Considerations
<p>Reassess your business interruption exposure:</p> <p>Understand your exposure with Aon's triple point survey to quantify property damage values, prioritise risk improvements and assess your business interruption methodology.</p>	<p>Staff review business interruption values each year with relevant teams. This involves looking at projected revenue and budgets.</p> <p>An additional cost of working cover is also purchased (\$40M) specifically for business interruption to waters assets. This figure is based on an exercise completed with Aon in 2016.</p>	<p>Funding for revalidation of the waters business interruption figure falls under the small loss modelling budget that the Insurance Team carries. If this is lost, there is no ability for the team to re do the exercise as noted above.</p>
<p>Allow sufficient time:</p> <p>Start renewal process early and focus efforts on quality information to attract insurers and encourage competitive tension.</p>	<p>Staff consider we are in a strong position in this respect given the investment in an Insurance Team. Staff are highly engaged and already support quality information and submissions being provided to the market both at renewal and at claim time.</p>	<p>No changes were made to the team in Future Fit however future changes to team structure could impact on timeliness and quality of information provided to the insurance market.</p>

Financial Considerations - Whaiwhakaaro Puutea

26. This is a regular operating activity funded through existing budgets. On a pro rata basis to align the insurance year with Council's financial year, projected renewal premiums for 1 November 2024 are currently estimated to fall within existing budgets.
27. Insurance policies and premium for the current year are shown below. 2023 figures are actuals and were effective 1 November 2023, and are inclusive of levies and exclusive of GST. The table also includes current percentage uplifts based on predicted market rate increases and an allowance for new assets and increased values for the 1 November 2024 renewal.

	2023 Renewal Premium	2024 Projected Uplift	2024 Projected Premium
Physical damage policies:			
Material damage and business interruption	\$1,913,919	25%	\$2,392,399
Material damage excess layer	\$330,885	20%	\$397,062
Infrastructure placement	\$1,033,839	20%	\$1,240,607
Commercial motor	\$121,091	20%	\$145,309
Fine arts	\$105,467	25%	\$131,834
Annual contract works	\$47,425	20%	\$56,910
Boiler explosion	\$3,508	5%	\$3,683
Liability policies:			
Professional indemnity	\$470,754	10%	\$517,829
General liability	\$88,713	10%	\$97,584
Liability excess layer	\$47,543	10%	\$52,297
Crime	\$35,784	10%	\$39,362
Statutory liability	\$8,755	10%	\$9,631
Aviation liability	\$2,807	20%	\$3,368
Employers liability	\$1,415	10%	\$1,557
Other policies:			
Personal accident	\$1,182	10%	\$1,300
Business travel	\$808	10%	\$889
Total	\$4,341,177	17%	\$5,091,622

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

- 28. Staff confirm that this matter complies with the Council's legal and policy requirements.
- 29. Staff have assessed this option against the Climate Change Policy for both emissions and climate change adaptation. Staff have determined no adaptation assessment is required.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Risks - *Tuuraru*

- 33. There are no known risks associated with this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

- 34. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.
- 35. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

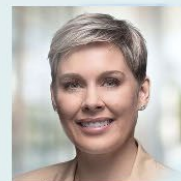
Attachment 1 - Aon Market Overview Q1 2024.

Executive Summary

- The affordability of insurance for risks in natural-catastrophe exposed locations was again at the top of the political agenda. Rising weather-related claims frequency alongside inflationary pressures continued to drive insurance pricing, particularly in the personal lines space.
- After a rebalancing of portfolios, the majority of insurers in Australia sought to use this new baseline to grow their portfolios in the short term. Certain risks are "in appetite" across most of the market, driving deeper inequity between risks that are in and out of favor with capital providers.
- In New Zealand, the Property market continued to present challenges for insureds specifically in relation to Wellington Earthquake and Flood for certain areas of Hawkes Bay and Auckland. The 2023 Auckland Anniversary floods and Cyclone Gabrielle are noted as the two costliest weather events on record for New Zealand at USD7.1 billion in economic losses raising questions around the robustness of loss models and rate adequacy for secondary perils. Learn more in Aon's Reinsurance Market Dynamics report.
- Climate change activists turned to the courts to hold accountable those perceived as contributing to climate change. A recent landmark judgement in NZ (Smith v Fonterra & Ors) made it harder for corporates to use the summary strike-out procedure to avoid lengthy/costly trials.



Lack of market alignment in property clause language is showing signs of fueling claims inflationary pressure with each co-insurer requiring separate legal representation in large claims. Clarity from common coverage language is critical as insurers look to stay relevant and keep expenses in check.



Tracy Riddell

Head of Placement
Property & Casualty
Commercial Risk Solutions
Australia

3

Q1 Pacific Market Dynamics

Geographic Trends

Pacific	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
Australia	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
New Zealand	Challenging	+1-10%	Constrained	Rigorous	Flat	Flat	Stable
	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

Pricing

Commercial lines pricing was flat overall, pressured by inflation and insurer focus on sustainable performance. Natural-catastrophe exposed property risks and liability risks with material US exposures experienced the most significant price increases. Meanwhile, risks deemed "in appetite" by insurers, e.g., having minimal natural catastrophe exposures and good claims experience and being well-managed, attracted increased competition which led to price reductions.

Capacity

Capacity was abundant as new entrants and re-entrants boosted competition in the mid-market space. Large, complex and more challenging risk profiles drove demand for alternative risk transfer solutions to insulate against market cycles and provide greater stability over the long term. Property capacity was constrained in New Zealand and there was a greater flow of premium to London markets.

Underwriting

Underwriting remained prudent with referrals and escalations impacting timely delivery of terms and frustrating insurance buyers. Insureds with a compelling risk management narrative, healthy loss record and benign exposures achieved superior outcomes.

Limits

Limits remained generally flat, but increases were available for well-performing and benign risks.

Deductibles

Following several years of portfolio-wide adjustments, expiring deductibles were achievable for most placements, with the notable exception of claims-impacted risks as insurers looked to move away from frequency losses.

Coverages

Expiring coverages were generally available; however, on some large and complex placements, co-insurers imposed verbose endorsements that complicated the loss adjustment process in the event of a claim.

Solution Spotlight:

Take up rates of parametric solutions have grown dramatically over the past 12 months, especially for distressed perils and locations. The benefits of parametric solutions include cashflow / liquidity stemming from quick payouts, broader coverage / fewer exclusions than traditional property insurance, and flexibility as to how loss proceeds are utilized.

To learn more, contact your Aon Team.

3

Q1 Pacific Product Trends

Geographic Trends

Pacific	Moderate	Challenging	Soft	Soft	Moderate
Australia	Moderate	Challenging	Soft	Soft	Moderate
New Zealand	Moderate	Moderate	Soft	Soft	Challenging
	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property

Automobile

The Auto market continued to be impacted by increased costs of repairs and delays in spare parts caused by global supply chains. Insurers remained prudent and continued to impose rate increases and higher deductibles on claims impacted risks while demonstrating flexibility on well-performing risks. The adoption of electric vehicles – with enhanced technology components – increased average replacement costs.

Casualty / Liability

Casualty insurers continued to implement changes to their portfolios to improve performance, including rate increases, higher deductibles, and reduced coverages on underperforming risks. Notwithstanding, insurers were willing to differentiate individual risks, rewarding those with quality submissions and healthy risk profiles. Meanwhile the New Zealand Casualty market remained moderate due to the absence of bodily injury exposure and ample capacity.

Cyber

Market conditions remained favorable despite a spate of high-profile cyber incidents impacting millions of Australian organizations and individuals over the last five years. Insureds demonstrating ongoing commitment to cyber security improvements saw premium reductions, abundant capacity and broader coverages.

Directors and Officers

Favorable market conditions continued following six consecutive quarters of price decreases. New capacity and growth aspirations of incumbent insurers continued to drive competition for listed companies in most sectors.

Property

The Property market showed signs of improving after years of adjustments intended to address increased reinsurance costs, natural-catastrophe volatility, and profitability challenges resulted in improved performance and more moderate market conditions. Some areas remain challenged like Wellington Earthquake and Flood in certain areas of Hawkes Bay and Auckland, New Zealand. In Australia, in-appetite risk types started to experience a more growth-focused, competitive environment. Incumbent insurers were generally unwilling to provide rate reductions, but it may be a matter of time before increased price competition serves to change their position on this.

3

Q1 Pacific Advice to Clients

Geographic Trends

- Leverage consulting and analytics: Use strategic consulting and analytics to refine your risk tolerance, adjust your risk transfer strategies, and analyze risk financing solutions as well as to differentiate your risk profile at renewals.
- Describe your valuation methodology: Clearly articulate your replacement cost valuation approach and how you adjust for inflation to avoid Average (co-insurance) Clauses.
- Reassess your business interruption exposure: Supply chain challenges resulting from the pandemic, the events in Eastern Europe, and the recent attacks in the Red Sea continue to create inflationary pressure for raw materials, critical equipment, and component parts. Understand your business interruption exposure with Aon's triple point survey to quantify property damage values, prioritise risk improvements and assess your business interruption methodology.
- Allow sufficient time: Start the renewal process early and focus efforts on quality information to attract insurers and encourage competitive tension.



55



Australia

- To accommodate the mandate to join the Personal Lines Cyclone Reinsurance Pool by the end of 2023, a number of Australian insurers allocated natural catastrophe capacity to personal lines which constrained capacity for commercial clients in peak cyclone areas.
- The El Nino event, characterized by drier and hotter conditions in the Pacific Ocean, continued to weaken and conditions are expected to return to neutral in April or May, according to the Bureau of Meteorology.

New Zealand

- Apartment owners in Wellington faced soaring Earthquake insurance premiums in high-rise strata blocks which are not restricted to quake-prone or older buildings. This was exacerbated by the requirement to purchase full loss limit policies, making Earthquake coverage unaffordable for many owners.
- The challenged Property market has prompted an increased number of inquiries and quotes for parametric solutions as C-suite leaders and risk managers become increasingly reliant on alternative forms of risk transfer solutions.

Solution Spotlight:

Following the collapse of The Catholic Church Insurance Company in 2023, hundreds of community-based entities found themselves without cover in segments challenged by insurance availability given their specific coverage needs. Aon worked closely with the major Diocese around Australia to ensure critical cover was maintained via specialized Property, Casualty and Financial Lines facilities, delivering a soft landing for 832 schools and 588 parishes.

Council Report

Committee: Strategic Risk and Assurance Committee

Date: 18 June 2024

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager Business Services

Report Name: Audit New Zealand Update

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on Audit New Zealand audit progress since the last committee meeting and provide the Audit Plan that covers the audit of the 2023-24 Annual Report.
2. To seek a recommendation from the Strategic Risk and Assurance Committee that the Council approves the Mayor to sign on Council's behalf the Audit Engagement Letter that addresses the annual audits for the years ending 30 June 2024 to 2025.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

3. That the Strategic Risk and Assurance Committee
 - a) receives the report.
 - b) recommends that the Council:
 - i. approves the Audit Engagement letter; and
 - ii. delegates the Mayor to sign the Audit Engagement letter on Council's behalf.

Executive Summary - *Whakaraapopototanga matua*

2024-34 Long Term Plan

4. Audit New Zealand have been onsite conducting the audit of the 2024-34 Long-Term Plan in May and June 2024. There are no issues to report. A verbal update will be provided at the meeting.

2023 Annual Report

5. The Audit Plan letter covers the audit of the 2023-24 Annual Report (**Attachment 1**).
6. The significant risks and focus areas outlined in the document includes:
 - i. Fair value of "Three Waters" assets
 - ii. Carrying value of the City Council's investment in the Waikato Regional Airport Limited group
 - iii. The risk of management override of internal controls
 - iv. Fair value of land assets
 - v. Fair value of investment property

- vi. Capital work in progress
 - vii. Fair value of roading assets (in a non-revaluation year)
7. The Audit Engagement letter covers the annual audits for the years ending 30 June 2024 and 2025 (**Attachment 2**).
 8. The letter 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.
 9. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

2024-34 Long Term Plan

10. Audit New Zealand have been onsite conducting the audit of the 2024-34 Long-Term Plan from 6 May to 17 May 2024 and 27 May to 14 June 2024. There are no issues to report when writing this report. A verbal update will be given at the meeting.
11. The Long-Term Plan Management Letter will be presented at the next committee meeting.

2023 Annual Report

12. The Audit Plan letter covers the audit of the 2023-24 Annual Report (**Attachment 1**). It sets out expectations of the role of Audit New Zealand and the Council to ensure there is an agreed approach to completing the audit in a timely manner.
13. The significant risks and focus areas outlined in the document and our response includes:

Risk/Issue	Audit New Zealand's planned response
Significant risks	
Fair value of "Three Waters" assets	
<p>For those assets that the City Council is not planning to revalue, the City Council should perform a fair value assessment to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary. An assessment should:</p> <ul style="list-style-type: none"> i. factor in local cost information; ii. utilise relevant and reliable price movement indicators; and iii. involve consulting with valuers, if necessary. <p>Alternatively, the City Council could engage valuers to assist in preparing a fair value assessment. We consider the fair value of Three Waters assets to be a significant risk due to the value of these assets and the judgements and assumptions involved in estimating fair value. Also, this asset class was last revalued in 2022 and construction costs</p>	<p>We will review the fair value assessment prepared by management to determine if we concur with the conclusion reached about whether there is a material difference between the carrying amount and fair value of Three Waters assets. This will include considering the appropriateness of the method used to estimate fair value, and the appropriateness and reasonableness of judgements made and assumptions applied in undertaking the assessment.</p> <p>If the movement in the assets individually or in combination with other asset classes is material, the City Council may need to complete a revaluation. In certain circumstances it may be acceptable to make an adjustment based on a desktop or indexed revaluation.</p> <p><i>Council's response:</i> <i>We have prepared our fair value assessment and there is no material difference between the carrying amount and fair value to trigger a revaluation.</i></p>

have continued to increase since then.	
Carrying value of the City Council's investment in the Waikato Regional Airport Limited group	
<p>The City Council's interest in Waikato Regional Airport Limited (WRAL) is equity accounted into the group financial statements. Under the equity method, the City Council's investment is initially recognised at cost and adjusted thereafter in the group financial statements for the post-acquisition change in the City Council's share of the net assets of the WRAL group, including the City Council's share of the WRAL group's surplus/(deficit) and other comprehensive income. This means that the City Council group's surplus/(deficit) includes the City Council's share of the fair value gains/(losses) recorded by the WRAL group on its investment properties, and the City Council group's other comprehensive income includes its share of fair value gains/(losses) on revalued property, plant and equipment. We consider this to be a significant risk for the City Council group audit due to the value of these assets and the judgements and assumptions involved in estimating fair value.</p>	<p>We will issue group audit instructions to the WRAL auditor, asking them to perform specific audit procedures over the carrying value of investment property and revalued property plant and equipment and to provide assurance to us, as the group auditor, over these account balances and associated fair value gains/(losses).</p> <p>We will confirm the City Council has appropriately equity accounted for its share of the WRAL group's surplus/(deficit) and other comprehensive income in accordance with the requirements of accounting standards.</p> <p><i>Council's response:</i> <i>We have equity accounted our share of WRAL group's surplus/(deficit) and other comprehensive income in accordance with the requirements of accounting standards.</i></p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a significant risk on every audit</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> i. testing the appropriateness of selected journal entries; ii. reviewing accounting estimates for indications of bias; and iii. evaluating any unusual or one-off transactions, including those with related parties. <p><i>Council's response:</i> <i>We have adequate controls in place to ensure that all journal entries are appropriate. We have reviewed accounting estimates and there are no indications of bias. We have reviewed all related party transactions and there are no other unusual transactions.</i></p>
Other focus areas	
Fair value of land assets	
<p>For property, plant and equipment held at fair value, PBE IPSAS 17, Property, Plant and Equipment requires that valuations are conducted with sufficient regularity to ensure</p>	<p>We will:</p> <ul style="list-style-type: none"> i. obtain an understanding of the approach taken to estimate fair value,

<p>that the carrying value does not differ materially from fair value. We understand that the City Council will revalue land assets (including operational land, parks and gardens land, restricted land and infrastructure asset land) as at 30 June 2024. The most recent valuation of land was effective as at 30 April 2022. The reliability of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of judgements made and assumptions applied.</p>	<p>key judgements made, assumptions applied, and source data used, as well as the control procedures in place;</p> <ul style="list-style-type: none"> ii. assess the valuer's expertise and their objectivity; iii. evaluate whether an acceptable approach has been taken to estimate fair value, and assess this (and the related disclosures in the financial statements) for compliance with the requirements of accounting standards; iv. review the source data for errors and omissions; v. engage an auditor's expert to assist us with assessing the reasonableness of key judgements made and assumptions applied; and vi. test calculations, determine if the revaluation has been correctly accounted for, assess the overall valuation movement and obtain explanations for any significant or unusual changes in value. <p><i>Council's response:</i> We are revaluing our land assets as at 30 June 2024. We have completed a review over the land data to ensure it is complete and accurate. We have adequate controls over the revaluation process to ensure the methods, judgements and assumptions applied are appropriate.</p>
Fair value of investment property	
<p>The City Council revalues its investment property annually. The relevant accounting standard is PBE IPSAS 16, Investment Property. The fair value of investment properties needs to reflect the market conditions as at reporting date. Judgements and assumptions are involved in determining fair value.</p>	<p>We will:</p> <ul style="list-style-type: none"> i. review the valuation report and hold discussions with management and the valuer to confirm our understanding of the approach taken to estimate fair value, key judgements made, assumptions applied, and source data used; ii. assess the valuer's expertise and their objectivity; iii. evaluate whether an acceptable approach has been taken to estimate fair value, and assess this (and the related disclosures in the financial statements) for compliance with the requirements of accounting standards;

	<p>iv. review the source data for errors and omissions, and assess the reasonableness of key judgements made and assumptions applied; and</p> <p>v. test calculations, determine if the revaluation has been correctly accounted for, assess the overall valuation movement and obtain explanations for any significant or unusual changes in value revaluation.</p> <p>Council's response: <i>We are revaluing our investment properties as at 30 June 2024. We have completed a review over the investment property data to ensure it is complete and accurate. We have adequate controls over the revaluation process to ensure the methods, judgements and assumptions applied are appropriate.</i></p>
Capital work in progress	
<p>The City Council's WIP balance has escalated drastically in recent years, with over \$416 million sitting in WIP at 30 June 2023. This excludes manual adjustments of \$239 million that were made to account for assets classified as WIP in the general ledger that were already in use at balance date. The manual adjustments made increases the risk of error, particularly in a revaluation year where the City Council needs to be clear what assets are being revalued.</p>	<p>We will verify the manual adjustments made and confirm that an appropriate adjustment has been made to reflect the impact on depreciation of the assets in use but still reflected as WIP in the general ledger. We will also follow up progress made by the City Council to reduce delays in capitalising WIP and the need for manual adjustments to be made.</p> <p>Council's response: <i>We continue to focus on ensuring that our WIP in use is capitalised as soon as possible.</i></p>
Fair value of roading assets (in a non-revaluation year)	
<p>For those assets that the City Council is not planning to revalue, including roading assets, the City Council should perform a fair value assessment to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is material a revaluation may be necessary. An assessment should:</p> <ul style="list-style-type: none"> i. factor in local cost information; ii. utilise relevant and reliable price movement indicators; and iii. involve consulting with valuers, if necessary. <p>Alternatively, the City Council could engage</p>	<p>We will review the fair value assessment prepared by management to determine if we concur with the conclusion reached about whether there is a material difference between carrying amount and fair value for these assets. This will include considering the appropriateness of the method used to estimate fair value, and the appropriateness and reasonableness of judgements made and assumptions applied in undertaking the assessment. If the difference between fair value and carrying value for the roading asset class individually, or in combination with other asset classes, exceeds overall financial statement performance materiality the City Council may need to complete a revaluation.</p>

<p>valuers to assist in preparing a fair value assessment. There is a higher risk that the fair value is materially different to carrying value for the roading assets than other revalued assets not being revalued this year due to their carrying value.</p>	<p>In certain circumstances it may be acceptable to make an adjustment based on a desktop or indexed revaluation.</p> <p><i>Council's response:</i> <i>We have prepared our fair value assessment and there is no material difference between the carrying amount and fair value to trigger a revaluation.</i></p>
---	---

14. The proposed timing of the 2023-24 Annual Report audit is:

First interim audit begins	6 May 2024
Second interim audit begins	8 July 2024
Draft interim report to the Council issued	30 July 2024
Final audit begins	26 August 2024
Annual report available, including Mayor and Chief Executive's overview	23 September 2024
Final financial statements available, incorporating all the amendments	30 September 2024
Verbal audit clearance given	17 October 2024
Audit opinion issued	31 October 2024
Draft report to the Council issued	31 October 2024
Summary Annual Report audit opinion issued	29 November 2024

15. The interim audit has commenced. We are not aware of any significant issues to date.
16. The Interim Management Report will be presented at the next committee meeting.
17. The Audit Engagement letter covers the annual audits for the years ending 30 June 2024 and 2025 (**Attachment 2**).
18. The letter 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.

Financial Considerations - *Whaiwhakaaro Puutea*

19. The cost of this engagement is funded through the 2023-24 Annual Plan and 2024-2034 Long Term Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

20. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.
21. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matters in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-orange tonutanga*

22. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
23. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.

24. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

25. There are no known risks associated with this matter.

Significance and Engagement Policy

26. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report is of low significance.
27. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - Audit New Zealand Audit Plan for the 2023-24 Annual Report

Attachment 2 - Audit New Zealand Engagement Letter for the years ending 30 June 2024 and 2025

Audit plan

Hamilton City Council

For the year ending 30 June 2024

Item 12

Attachment 1

Audit plan

I am pleased to present our audit plan for the audit of Hamilton City Council (the City Council) for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	8
Our audit process	10
Reporting protocols	16
Audit logistics	17
Expectations	19

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Clarence Susan
Appointed Auditor
29 April 2024

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main risks and issues. These will be the main focus areas during the audit.

Risk/issue	Our audit response
Significant risks	
Fair value of "Three Waters" assets	
<p>For those assets that the City Council is not planning to revalue, the City Council should perform a fair value assessment to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the City Council could engage valuers to assist in preparing a fair value assessment.</p> <p>We consider the fair value of Three Waters assets to be a significant risk due to the value of these assets and the judgements and assumptions involved in estimating fair value. Also, this asset class was last revalued in 2022 and construction costs have continued to increase since then.</p>	<p>We will review the fair value assessment prepared by management to determine if we concur with the conclusion reached about whether there is a material difference between the carrying amount and fair value of Three Waters assets. This will include considering the appropriateness of the method used to estimate fair value, and the appropriateness and reasonableness of judgements made and assumptions applied in undertaking the assessment.</p> <p>If the movement in the assets individually or in combination with other asset classes is material, the City Council may need to complete a revaluation. In certain circumstances it <i>may</i> be acceptable to make an adjustment based on a desktop or indexed revaluation.</p>

Risk/issue	Our audit response
Carrying value of the City Council's investment in the Waikato Regional Airport Limited group	
<p>The City Council's interest in Waikato Regional Airport Limited (WRAL) is equity accounted into the group financial statements.</p> <p>Under the equity method, the City Council's investment is initially recognised at cost and adjusted thereafter in the group financial statements for the post-acquisition change in the City Council's share of the net assets of the WRAL group, including the City Council's share of the WRAL group's surplus/(deficit) and other comprehensive income.</p> <p>This means that the City Council group's surplus/(deficit) includes the City Council's share of the fair value gains/(losses) recorded by the WRAL group on its investment properties, and the City Council group's other comprehensive income includes its share of fair value gains/(losses) on revalued property, plant and equipment.</p> <p>We consider this to be a significant risk for the City Council group audit due to the value of these assets and the judgements and assumptions involved in estimating fair value.</p>	<p>We will issue group audit instructions to the WRAL auditor, asking them to perform specific audit procedures over the carrying value of investment property and revalued property plant and equipment and to provide assurance to us, as the group auditor, over these account balances and associated fair value gains/(losses).</p> <p>We will confirm the City Council has appropriately equity accounted for its share of the WRAL group's surplus/(deficit) and other comprehensive income in accordance with the requirements of accounting standards.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a significant risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.

Risk/issue	Our audit response
Other focus areas	
Fair value of land assets	
<p>For property, plant and equipment held at fair value, PBE IPSAS 17, <i>Property, Plant and Equipment</i> requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>We understand that the City Council will revalue land assets (including operational land, parks and gardens land, restricted land and infrastructure asset land) as at 30 June 2024. The most recent valuation of land was effective as at 30 April 2022.</p> <p>The reliability of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of judgements made and assumptions applied.</p>	<p>We will:</p> <ul style="list-style-type: none"> • obtain an understanding of the approach taken to estimate fair value, key judgements made, assumptions applied, and source data used, as well as the control procedures in place; • assess the valuer's expertise and their objectivity; • evaluate whether an acceptable approach has been taken to estimate fair value, and assess this (and the related disclosures in the financial statements) for compliance with the requirements of accounting standards; • review the source data for errors and omissions; • engage an auditor's expert to assist us with assessing the reasonableness of key judgements made and assumptions applied; and • test calculations, determine if the revaluation has been correctly accounted for, assess the overall valuation movement and obtain explanations for any significant or unusual changes in value.

Risk/issue	Our audit response
Fair value of investment property	
<p>The City Council revalues its investment property annually. The relevant accounting standard is PBE IPSAS 16, <i>Investment Property</i>.</p> <p>The fair value of investment properties needs to reflect the market conditions as at reporting date.</p> <p>Judgements and assumptions are involved in determining fair value.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the valuation report and hold discussions with management and the valuer to confirm our understanding of the approach taken to estimate fair value, key judgements made, assumptions applied, and source data used; • assess the valuer's expertise and their objectivity; • evaluate whether an acceptable approach has been taken to estimate fair value, and assess this (and the related disclosures in the financial statements) for compliance with the requirements of accounting standards; • review the source data for errors and omissions, and assess the reasonableness of key judgements made and assumptions applied; and • test calculations, determine if the revaluation has been correctly accounted for, assess the overall valuation movement and obtain explanations for any significant or unusual changes in value.
Capital work in progress	
<p>The City Council's WIP balance has escalated drastically in recent years, with over \$416 million sitting in WIP at 30 June 2023. This excludes manual adjustments of \$239 million that were made to account for assets classified as WIP in the general ledger that were already in use at balance date.</p> <p>The manual adjustments made increases the risk of error, particularly in a revaluation year where the City Council needs to be clear what assets are being revalued.</p>	<p>We will verify the manual adjustments made and confirm that an appropriate adjustment has been made to reflect the impact on depreciation of the assets in use but still reflected as WIP in the general ledger.</p> <p>We will also follow up progress made by the City Council to reduce delays in capitalising WIP and the need for manual adjustments to be made.</p>

Risk/issue	Our audit response
Fair value of roading assets (in a non-revaluation year)	
<p>For those assets that the City Council is not planning to revalue, including roading assets, the City Council should perform a fair value assessment to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is material a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the City Council could engage valuers to assist in preparing a fair value assessment.</p> <p>There is a higher risk that the fair value is materially different to carrying value for the roading assets than other revalued assets not being revalued this year due to their carrying value.</p>	<p>We will review the fair value assessment prepared by management to determine if we concur with the conclusion reached about whether there is a material difference between carrying amount and fair value for these assets. This will include considering the appropriateness of the method used to estimate fair value, and the appropriateness and reasonableness of judgements made and assumptions applied in undertaking the assessment.</p> <p>If the difference between fair value and carrying value for the roading asset class individually, or in combination with other asset classes, exceeds overall financial statement performance materiality the City Council may need to complete a revaluation. In certain circumstances it <i>may</i> be acceptable to make an adjustment based on a desktop or indexed revaluation.</p>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?

- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit



The group comprises:

- Hamilton City Council (parent); and
- Waikato Innovation Growth Limited (Group).

The City Council’s interest in Waikato Regional Airport Limited is equity accounted into the group financial statements.

Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group financial statements. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component.

We have assessed the individual financial significance of each entity, and the likelihood of the risk of material misstatement of the group financial statements due to each entity’s specific nature or circumstances. Based on this, we have determined that the Hamilton City Council parent entity and Waikato Regional Airport Limited group (WRAL group) are both significant components of the group.

We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

Significant component	Work to be performed
WRAL group	We will instruct the component auditor to audit the investment properties and property, plant and equipment balances in the WRAL group financial statements, and the resulting fair value gains/losses based on the component materiality that we have assigned.
Hamilton City Council (parent)	We will complete a full financial statement and performance information audit. The significant risks relevant this component are the fair value of “Three Water” assets and the risk of management override of internal controls.

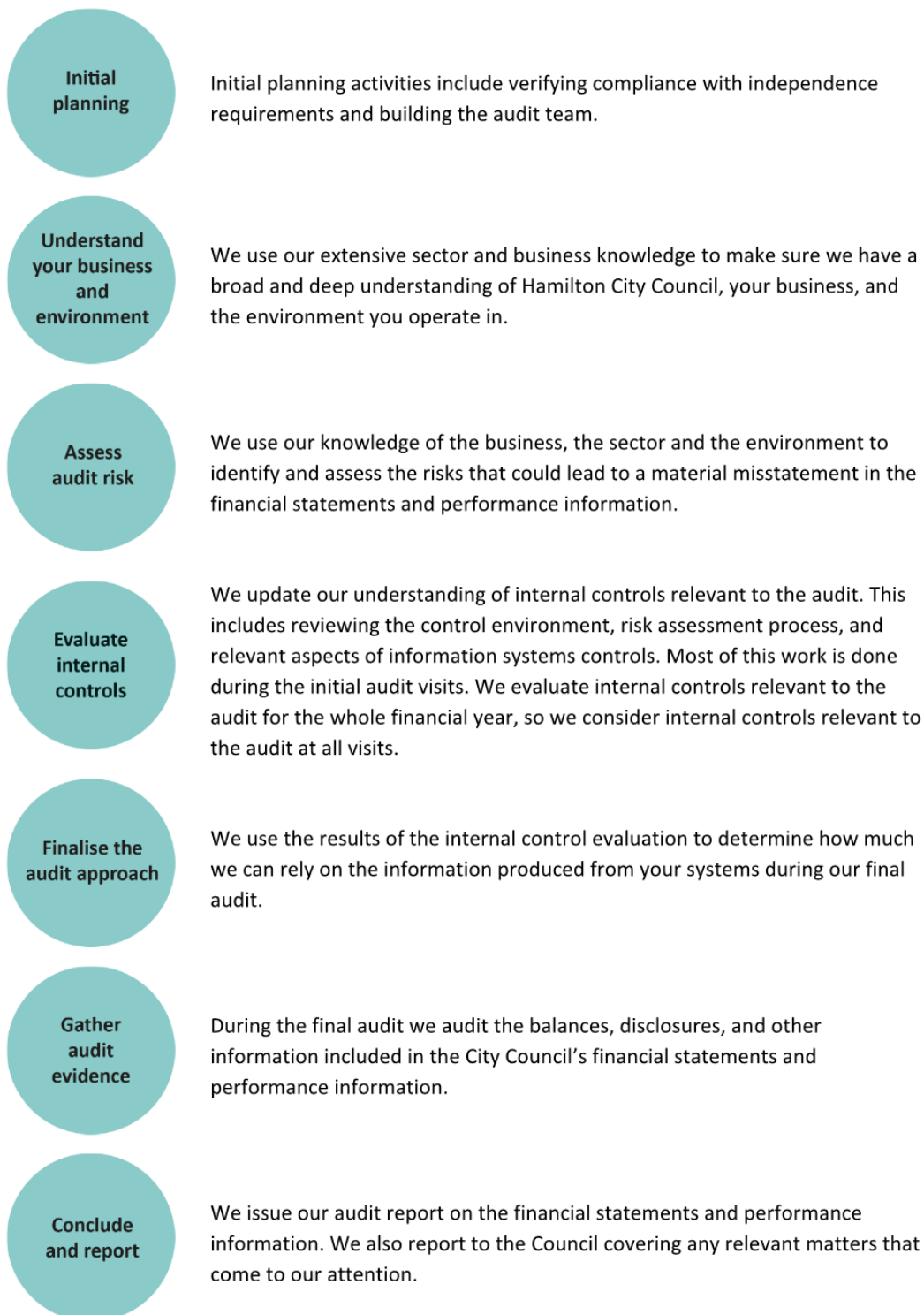
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

Our audit process



Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to complete audit procedures earlier in the year. This will be focused on, for example, year-to-date transactions for revenue and expenditure. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the interim audit. If we can complete this work earlier in the year, we expect this to reduce the final audit onsite work, as these hours will have been performed earlier in the year. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit

entities. Council and management should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and performance information.

Financial statements materiality

For planning purposes we have set overall materiality for the financial statements based on last year's total property, plant and equipment. We are only applying this overall group materiality to the carrying value of property, plant and equipment held at fair value.

Description	Parent \$000	Group \$000
Overall materiality	483,000	522,650
Specific materiality	10,600	10,900
Clearly trivial threshold	530	545

We have set a lower, specific materiality for all items not related to the fair value of property, plant and equipment.

In addition to the materiality figures described above, we establish a "working materiality" which we call performance materiality. This is set at an amount less than materiality and takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements. We use performance materiality when we are designing our audit procedures. We also use overall financial statement performance materiality when we are forming a view about whether the carrying amount of revalued assets differs materially from their fair value. We have set overall financial statement performance materiality for the parent financial statements at \$362.25 million for the fair value of property, plant and equipment and \$7.95 million for all items not related to the fair value of property, plant and equipment.

The materiality figures described above do not apply to any matters of effectiveness or efficiency, waste, or a lack of probity or financial prudence.

All materiality levels are subject to change once the actual results for the current year are available. We will advise the Council and management if there are any significant changes to materiality levels.

We will report all uncorrected misstatements to the Council other than those that are below our clearly trivial threshold unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Materiality for performance information

At an overall level, we assess whether the performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the City Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the City Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

The performance measures that we have determined to be material and the materiality thresholds we will be using for planning purposes are set out in the following table. We will reassess this during the audit.

Material measure	Materiality
Growth	
Average processing days for building consents.	8% of actual reported result.
Average processing days for non-notified land use and subdivision resource consents.	8% of actual reported result.
Water supply	
The extent to which the Council's water supply complies with Part 4 of the drinking water standards for bacteria compliance criteria. The extent to which the Council's water supply complies with Part 5 of the drinking water standards for protozoa compliance criteria.	No materiality set as the water supply either complies or doesn't comply.
The total number of complaints received by the local authority about any of the following: a drinking water clarity; b drinking water taste; c drinking water odour; d drinking water pressure or flow; e continuity of supply; and f the local authority's response to any of these issues, expressed per 1000 connections to the local authority's networked reticulation system.	8% of reported result.

Material measure	Materiality
Wastewater	
The number of abatement notices received in relation to resource consents for discharge from the wastewater system.	No materiality set as the target is for no more than one abatement notice to be received.
The number of infringement notices, enforcement orders and convictions received in relation to resource consents for discharge from the wastewater system.	No materiality set as the target is for zero infringement notices, zero enforcement actions and zero conviction actions.
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	8% of reported result.
Stormwater	
The number of abatement notices related to the management of the stormwater system.	No materiality set as the target is for no more than one abatement notice to be received.
The number of infringement notices, enforcement orders and convictions related to the management of the stormwater system.	No materiality set as the target is for zero infringement notices, zero enforcement actions and zero conviction actions.
Transport	
The average quality of ride on Hamilton's sealed local road network, measured by smooth travel exposure.	8% of actual reported result.
The percentage of the sealed local road network that is resurfaced.	8% of actual reported result.
The predictability of travel times for all vehicle types (buses, business and private vehicles) on our transport network during weekday peak hours	5% of actual reported result.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Hamilton City Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Hamilton City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Hamilton City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Hamilton City Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

We understand that Tracey Musty (Finance Director) is our key contact for the audit. We will regularly update Tracey on progress throughout the audit, and any issues or delays encountered. We expect this information will be shared with management and the Council as appropriate. Any areas of material concern will be raised with David Bryant (GM people and organisational performance) in the first instance.

We intend meeting on a weekly basis with key finance team members to discuss matters relevant to the audit.

Reports to the Council



We will provide a draft of all 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.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Clarence Susan	Appointed Auditor
Karen MacKenzie	Engagement Quality Review Director
Kataraina Macown	Audit Manager
Brandan Botha	Assistant Manager
Robyn Dearlove	Manager Information Systems Audit and Assurance

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day-to-day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



Our proposed timetable is:

First Interim audit begins	6 May 2024
Second interim audit begins	8 July 2024
Draft interim report to the Council issued	30 July 2024
Final audit begins	26 August 2024
Annual report available, including Mayor and Chief Executive’s overview or reports	23 September 2024
Final financial statements available, incorporating all the amendments agreed to between us	30 September 2024
Verbal audit clearance given	17 October 2024
Audit opinion issued	31 October 2024
Draft report to the Council issued	31 October 2024
Summary Annual Report audit opinion issued	29 November 2024

AuditDashboard

In the prior three years, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfil requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring audits as part of the audit.

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records;
- management and staff will provide us with an appropriate level of assistance;
- the draft annual report, including the financial statements, performance information and “other information”, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management and staff will upload all information requested by us to conduct the audit to AuditDashboard in accordance with the agreed timetable; and
- the annual report, including the financial statements and performance information, will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and upload our audit requirements on AuditDashboard prior to the commencement of our audit visits.

Health and safety



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 management 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 minimises or, where possible, eliminates 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 management 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.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.parliament.nz

PO Box 256, Hamilton 3240

Phone: 04 496 3099





28 May 2024

Paula Southgate
Hamilton City Council
Private Bag 3010
Waikato Mail Centre
Hamilton 3240

Level 4, 127 Alexandra Street
PO Box 256, Hamilton 3240
Ph 04 496 3099

Tēnā koe Paula

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 Hamilton City Council and group (the City Council and group), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of City Council and group’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 2024 and 2025.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (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 City Council and group’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

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

The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

The council's responsibilities

Our audit will be carried out on the basis that the council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of 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 relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the City Council and group 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;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including 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 that information.

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 and group 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 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. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

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

Our responsibilities

Carrying out the audit

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

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

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

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with the intended levels of service for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and

- complies with generally accepted accounting practice in New Zealand.

In addition to the above we are also responsible for forming an independent opinion whether:

- the funding impact statement of City Council and group, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan and annual plan;
- the statement about capital expenditure for each group of activities of City Council and group, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan; and
- the funding impact statement for each group of activities of City Council and group, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.

We are also required to report on whether the City Council and group has:

- complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

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 obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and group's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the council and the City Council and group have carried out their activities;
- consider laws and regulations relevant to the audit;

- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the City Council and group in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the council and the City Council and group have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of 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 City Council and group; including being independent of management personnel and members of 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 the objectivity of the audit team and the Audit New Zealand.

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 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 independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee 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 full financial statements and full performance information.

We will also issue a report that will be sent to the council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to City Council and group from time to time. We will inform the council of any other reports we have issued.

Please note that the Auditor-General may publicly report 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 letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

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.

Nāku noa, nā



Clarence Susan
Appointed Auditor
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.

Signature: _____

Date: _____

Name: Paula Southgate

Title: Mayor

Appendix 1: Respective specific responsibilities of the council (the governing body) and the Appointed Auditor

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</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 us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the 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 and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; and • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with the intended levels of service for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and • complies with generally accepted accounting practice in New Zealand. <p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> • the funding impact statement of City Council and group, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan and annual plan;

Responsibilities of the council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> the statement about capital expenditure for each group of activities of City Council and group, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan; and the funding impact statement for each group of activities of City Council and group, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan. <p>We are also required to report on whether City Council and group has:</p> <ul style="list-style-type: none"> complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014. <p>We will also read the other information accompanying the financial statements and performance information and consider 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 the audit report addressee's overall understanding of the financial statements and performance information.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> the appropriateness of accounting policies used and whether they have been consistently applied; the reasonableness of the significant accounting estimates and judgements made by those charged with governance; the appropriateness of the content and measures in any performance information; the adequacy of the disclosures in the financial statements and performance information; and the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> the adoption of the going concern basis of accounting is appropriate; all material transactions have been recorded and are reflected in the financial statements and performance information; all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>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.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of City Council and group; • enable you to monitor the resources, activities, and entities under your control; • enable City Council and group's financial position to be determined with reasonable accuracy at any time; • enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and • are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of City Council and group), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information 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.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of City Council and group) 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 City Council and group 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 them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <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 the 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	Responsibility of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that City Council and group has systems, policies, and procedures (appropriate to the size of City Council and group) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of City Council and group are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> the relevance of the law or regulation to the audit; our assessment of the risk of non-compliance; and the impact of non-compliance for the addressee of the audit report. <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 and regulations.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of City Council and group 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 departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>The Auditor-General, on receiving a report from us, may, at his 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 for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on City Council and group'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 the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</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>

Appendix 2: Health and safety of audit staff

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 safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Council Report

Item 13

Committee: Strategic Risk and Assurance Committee

Date: 18 June 2024

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager Business Services

Report Name: KPMG - Internal Audit Update and Report

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee (SRAC) on the internal audit progress to June 2024.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. The 3-year Internal Audit Plan has been developed by KPMG covering Financial Year (FY) 2025 to FY2027 (**Attachment 1**)
4. The Fees and Charges review has been completed, and the final report is attached as **Attachment 2**.
5. The Procurement Maturity Assessment has been completed. The draft report has been issued to Management for review. A summary report will be presented in the next SRAC meeting.
6. The Accounts Receivable and Debtor Management review has been kicked off, and field work is in progress. The final report will be presented in the next SRAC meeting.
7. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

8. Council's internal audit function incorporates engagements and actions from KPMG.
9. This report provides an update on progress by KPMG on the internal audit work stream.
10. Since the last report to this committee, there are two updates to note:
 - I. The 3-year Internal Audit Plan has been developed by KPMG covering FY2025 to FY2027 (**Attachment 1**). A summary of the key areas to be covered over the next 3 years include:

Area of focus	FY2025	FY2026 & FY2027
Climate Change Maturity Assessment	✓	
Communication Integrity Review	✓	
Future Fit and Simplification Programme Controls Impact Assessment	✓	
Cybersecurity	✓	
Health check - Portfolio/ Project Governance and Management		✓
IT Governance		✓
Animal Control		✓
Asset Management		✓
Fraud Risk Management Maturity Assessment		✓
Business Continuity Management		✓
Development Contributions		✓

II. KPMG Internal Audit Plan – progress summary FY2024

Engagement	Current Status
Procurement Maturity Assessment	Draft report issued to Management for comments
Fees and Charges	Completed
Accounts Receivable and Debtor Management	Field work in progress

● On track ● Currently behind, expect to get back on track ● Permanently delayed

11. Staff consider the matters in this report to have low significance and that the recommendations comply with Council's legal obligations.

Financial Considerations - *Whaiwhakaaro Puutea*

12. The internal audit programme is a regular operating activity funded through the current Annual Plan and 2024-34 Long-Term Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

13. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.
14. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matters in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

15. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
16. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.

17. There are no known social, economic, environmental, or cultural considerations associated with this matter.

Risks - *Tuuraru*

18. No known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

19. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - HCC - Internal Audit Plan FY2025 to FY2027

Attachment 2 - Fees and Charges



Internal Audit Plan for FY 2025 and indicative coverage for FY2026 & FY2027

Hamilton City Council

May 2024



Content

- 01 Executive Summary
- 02 Approach to developing the Internal Audit plan
- 03 Sector trends and key HCC messages/themes
- 04 Summary view - Internal Audit Plan for FY2025 and indicative coverage for FY2026 & FY2027
- 05 Rationale and indicative scope for the reviews prioritised for FY2025
- 06 Internal Audit coverage by key strategic and organisational risk / core processes



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

2

Executive Summary

Introduction

This document presents the Internal Audit Plan for Hamilton City Council (Council) for FY2025 and provides an indicative overview of Internal Audit coverage for FY2026 and FY2027. The final draft Internal Audit plan for FY2024 was presented to the Strategic Risk and Assurance Committee (SRAC) of the Council during the SRAC meeting held on 26th March 2024. Following this meeting, the Council identified a need to incorporate an additional review for FY2025. Consequently, the Internal Audit Plan for FY2025 and indicative Internal Audit coverage for FY2026 and FY2027 have been updated accordingly.

The document outlines the following in detail:

1. Approach to developing the Internal Audit plan
2. Key focus areas of the Council and the macro trends impacting local Councils
3. Internal Audit Plan for FY2025 and proposed future in FY2026 & FY2027.
4. Rationale for selecting the Internal Audit areas and indicative scope
5. Internal Audit coverage by Key Strategic and Organisational Risks (KSOR).

Role of Internal Audit

Council has an Internal Audit partnership arrangement with KPMG with the following objectives and goals:

- Provide the Council and Management independent assurance/comfort that key risks to the business are managed/mitigated in line with the risk appetite set by the Council and Management.
- Provide the SRAC and Management assurance on the effectiveness of controls.
- Support Management in achieving its strategic objectives, managing risks, monitoring compliance with policies, procedures and regulatory requirements, improving the efficiency and effectiveness of processes and controls.

Review and Approval

Despite this structured view, risks and priorities can change during the year due to business changes, emerging risks, or risk events, and the plan has a degree of flexibility to respond to this. Should this occur during the year, alternative projects will be considered and agreed upon with the ELT and the SRAC. The Internal Audit plan will also be reviewed on an annual basis to ensure it remains relevant.

The current plan continues to build on Council's enhanced assurance model and ensures:

- Internal Audit that continues to provide strong oversight of financial and related information technology controls whilst also focussing on key business risks, core business processes, and the linkage to strategy;
- Access to a broad skill set and specialist knowledge complemented by strong business understanding; and
- Continued strong collaboration with other assurance providers.

The SRAC is requested to review and approve the Internal Audit plan for FY2025 and future coverage for FY2026 and FY2027. A similar annual review of the Internal Audit plan will be conducted as part of the refresh process to confirm the reviews for FY2026 in agreement with the ELT and SRAC.



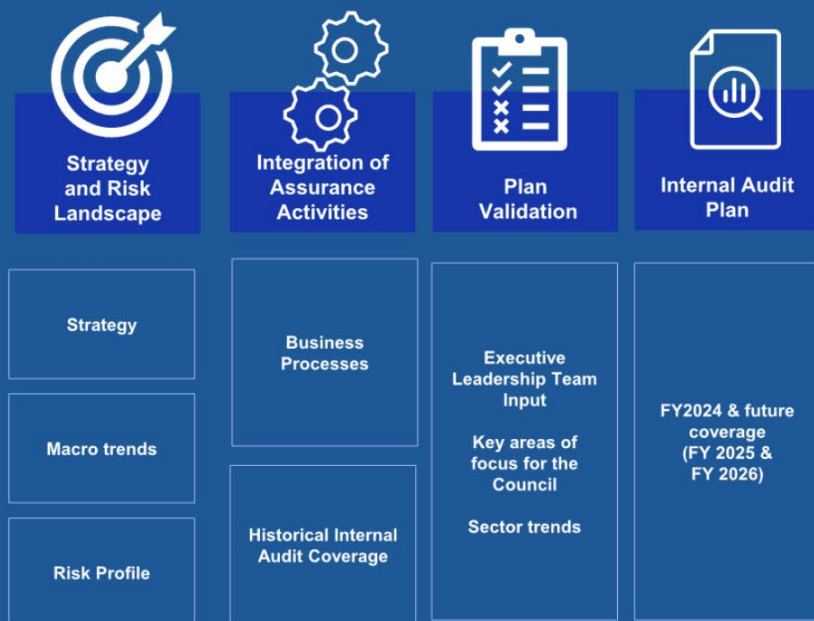
© 2023 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

3

Approach to developing the Internal Audit Plan

The Internal Audit Plan has been prepared based on the following planning steps:



We have developed a thorough Internal Audit plan for the Council for FY2024 and also provided an indicative view of future coverage in FY2025 & FY2026. To effectively identify, prioritise, and time our Internal Audits, we considered several factors including the following:

- Giving higher priority to processes undergoing significant changes or associated with heightened risks, providing timely assurance and support during transitional periods.
- Implementing cyclical coverage of core business processes every two years, providing regular assurance and identifying areas for improvement.
- Scheduling reviews to provide assurance on enduring processes, promptly address design issues, and minimise operational disruption.
- Prioritising reviews that ensure regulatory compliance and foster a strong compliance culture within the organisation.
- Considering the inherent and residual risk profiles of processes to determine appropriate assurance coverage.
- Addressing areas where Management and the SRAC seek value add and assurance on the effectiveness of internal controls in key business processes and strategic initiatives.
- Providing continuous assurance at critical milestones of modernisation and system refresh projects to keep the Board, SRAC, and Management well-informed.



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

Sector trends and HCC key messages/themes

We have outlined below the eight macro trends that are influencing Councils and the key common /messages/themes we heard consistently from the ELT and other key stakeholders during the Internal Audit planning process. These form the underlying basis of the Internal Audit Plan.

MACRO TRENDS

AGEING POPULATION

Increasing demands for senior services.

DISRUPTIVE TECHNOLOGY AND COMMUNITY EXPECTATIONS

Rapid technological advancements and changing expectations.

INCREASED PUBLIC PARTICIPATION

Growing demand for public participation in decision-making.

POPULATION GROWTH

Managing infrastructure challenges due to population growth.

INCREASING URBANISATION

Increasing population density creates infrastructure challenges.

SUSTAINABILITY

Long-term funding and environmental concerns.

BUDGET CONSTRAINT

Managing budget constraints in local government operations.

COMMUNITY RESILIENCE

Promoting community resilience in local government operations.

KEY MESSAGES/ THEMES



Cost Optimisation

Efficient utilisation of resources to achieve cost savings.



Financial Stability

Ensuring financial sustainability of the Council



Simplification

Streamlining systems and operations to enhance efficiency



Digital Transformation

Enhancing capabilities, ensuring compliance.



Project Prioritisation

Delivering the most important projects for the community.



Strategic Procurement

Efficient, streamlined spend management.

Source

- Technology One, (n.d.). Macro trends driving transformation in local government (2024)
- Affairs, T.D. of I. (2021). Local Government Policy.



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

5

Summary view - Internal Audit Plan for FY2025 and indicative coverage for FY2026 & FY 2027

	Reviews	Key Strategic and Organisational Risk	Key Strategic Objectives
2025	▪ Climate Change Maturity Assessment	▪ Failure to respond to climate change	▪ Our Te Tiriti o Waitangi responsibilities are embedded in the way we work
	▪ Communication Integrity Review	▪ Failure to meet compliance standards	▪ We are customer centric.
	▪ Future Fit and Simplification Programme Controls Impact Assessment	▪ Failure to deliver our work programmes	▪ We have fit for purpose systems and processes
	▪ Cybersecurity	▪ Loss of information or access to systems and services	▪ We have fit for purpose systems and processes
2026 & 2027	▪ Health check - Portfolio/ Project Governance and Management	▪ Failure to deliver our work programmes	▪ We prioritise and deliver the things that matter most to the community
	▪ IT Governance	▪ Loss of information or access to systems and services	▪ We have fit for purpose systems and processes
	▪ Animal Control	▪ Failure to provide a safe environment for the community	▪ Our Te Tiriti o Waitangi responsibilities are embedded in the way we work.
	▪ Asset Management	▪ Failure of critical assets	▪ We are financially sustainable
	▪ Fraud Risk Management Maturity Assessment	▪ Significant impact on financial strategy	▪ We are financially sustainable
	▪ Business Continuity Management	▪ Significant impact on financial strategy ▪ Failure to respond to a crisis or emergency	▪ We are financially sustainable
	▪ Development Contributions	▪ Significant impact on financial strategy	▪ We are customer centric

Item 13

Attachment 1

Rationale and indicative scope for the reviews prioritised for FY2025

Internal Audit	Link to KSOR	Inherent Risk Level	Residual Risk Level	Rationale	Indicative Scope
Climate Change Maturity Assessment	Failure to respond to climate change	Very High	Very High	As no reviews have been conducted in the last three years, it is important to assess the Council's maturity in responding to climate change. This review will identify any gaps in planning and preparedness, reducing the high-level enterprise risk of failure to respond to climate change and its negative impact on community wellbeing.	Evaluate the Council's current approach to climate change adaptation and mitigation, assess the effectiveness of existing strategies and initiatives, and identify gaps in preparedness for climate change impacts. Provide recommendations for enhancing the Council's climate change maturity, thereby mitigating risks to the community's well-being and the long-term sustainability of the Council's operations
Communication Integrity Review	Failure to meet compliance standards	High	High	This review aims to assess the Council's external communication processes in light of misinformation and false narratives that could impact the Council's reputation and influence policy and decision making. By evaluating communication strategies, readiness to respond to crises, and public perception, this review seeks to enhance the Council's ability to combat misinformation and maintain public trust	Assess the Council's external communication processes, including identifying misinformation sources, evaluating communication gaps, assessing crisis communication readiness, gauging public perception, analysing social media impact, evaluating fact-checking effectiveness, and reviewing the overall communication strategy for improvement. The recommendations will aim to enhance external communication, address misinformation, and maintain public trust.
Future Fit and Simplification Programme Controls Impact Assessment	Failure to deliver our work programmes	Extreme	Very High	Organisational changes involving the processes, systems, and structures from the recent Future Fit and Simplification programme warrant careful planning to guarantee the preservation of the internal control environment. Without due consideration, the Council is vulnerable to risks that may be beyond its risk appetite and tolerance levels to service levels. It is timely to assess the potential impact of the council's recent implementation of the Future Fit and Simplification programme on the control environment. This assessment will help in identifying possible risks and control gaps.	This review will assess Council's approach to risk and control assessment in implementing the Future Fit and Simplification programme to ensure no gaps in service delivery and the continuity of key controls to manage and mitigate key risks in the respective business units and processes. The impact of the Future Fit and Simplification programme on key controls will be analysed, and recommendations for improvement will be provided.

Rationale and indicative scope for the reviews prioritised for FY2025 (Contd)

Internal Audit	Link to KSOR	Inherent Risk Level	Residual Risk Level	Rationale	Indicative Scope
Cybersecurity	Loss of information or access to systems and services	Very High	High	Considering the increasing significance of cybersecurity in the current digital landscape, it is essential to prioritise the review of the Council's cybersecurity measures. This review aims to identify vulnerabilities, assess the effectiveness of risk mitigation strategies, and reduce the high-level enterprise risk of potential loss of information or unauthorised access to systems and services, which can have severe consequences on the Council's operations and reputation.	Evaluate the effectiveness of the Council's cybersecurity measures, assess the adequacy of controls and safeguards in place to protect information and systems, identify vulnerabilities and potential threats, and provide recommendations for enhancing cybersecurity practises to mitigate the risk of data breaches and non-compliance.

Internal Audit Coverage by key strategic and organisational risk / core processes

Key Enterprise Risk	Inherent Risk Level	Residual Risk Level	Historical coverage (FY2022 to FY2024)	Proposed coverage	
				FY2025	FY2026 & FY2027
Failure to respond to a disaster: A lack of preparedness leads to a failure to respond or an ineffective response to a natural or human induced disaster event resulting in compromised community resilience.	Very High	Very High	<ul style="list-style-type: none"> Business Continuity Management (FY2022) 		<ul style="list-style-type: none"> Business Continuity Management
Significant impact on financial strategy: A major economic or financial shock event negatively impacts Council's financial strategy, fiscal and monetary position resulting in significant financial pressure on Council.	Very High	Medium	<ul style="list-style-type: none"> Procurement Maturity Assessment Fees and Charges (Building and Resource) Accounts Receivable and Debtor Management 		<ul style="list-style-type: none"> Fraud Risk Management Maturity Assessment Development Contributions
Failure to meet compliance standards: Compliance requirements from central government and regional Council or changes in community expectations leads to a failure to meet compliance standards resulting in increase exposure to litigation.	High	High	<ul style="list-style-type: none"> Sensitive Expenditure (FY2021) Tax Risk Governance Framework (FY2023) GST and FBT Compliance Evaluation(FY2023) 	<ul style="list-style-type: none"> Communication Integrity Review 	



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

9

Internal Audit Coverage by key strategic and organisational risk / core processes (cont'd)

Key Enterprise Risk	Inherent Risk Level	Residual Risk Level	Historical coverage (FY2022 to FY2024)	Proposed coverage	
				FY2025	FY2026 & FY2027
Loss of information or access to systems and services: In the event of a cyber attack, IT service or technology asset failure there is a risk that confidential information and/ or Council services are compromised or fail and / or there is a loss of information resulting in ongoing reputational, legal and financial consequences.	Very High	High	<ul style="list-style-type: none"> Cybersecurity Review (FY2022) 	<ul style="list-style-type: none"> Cybersecurity 	<ul style="list-style-type: none"> IT Governance
Failure to deliver growth outcomes: Step-changes in growth requirements or demand or consequences of growth means Council can't deliver expected growth outcomes resulting in increased costs and the perception that growth delivers negative outcomes for the community	Very High	High	<ul style="list-style-type: none"> IBIS Project Assessment (FY2021) Business case preparation and benefits realisation (FY2021) 		
Political changes negatively impact strategic direction: Political stakeholders make unanticipated changes or decisions or take actions that negatively impact Council's strategic direction resulting in significant changes to Council's form or function, resourcing and work programme.	Very High	Very High			



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

10

Internal Audit Coverage by key strategic and organisational risk / core processes (cont'd)

Key Enterprise Risk	Inherent Risk Level	Residual Risk Level	Historical coverage (FY2022 to FY2024)	Proposed coverage	
				FY2025	FY2026 & FY2027
Failure to deliver our work programmes: An ongoing shortage of necessary resources (people and materials) means we are unable to deliver our work programmes resulting in constrained growth and negative long-term outcomes for the community.	Extreme	Very High	<ul style="list-style-type: none"> Business case preparation and benefits realisation (FY2021) Contract KPIs (FY2022) Contract register - management and reporting issues (FY2022) 	<ul style="list-style-type: none"> Future Fit and Simplification Programme Controls Impact Assessment 	<ul style="list-style-type: none"> Health check - Portfolio/ Project Governance and Management
Failure to respond to a crisis or emergency: A lack of Council's preparedness leads to a failure to respond or an ineffective response to a crisis (e.g., pandemic) or emergency (e.g. security attack) resulting in compromised business resilience.	Very High	Very High	<ul style="list-style-type: none"> Business Continuity Management (FY2022) 		<ul style="list-style-type: none"> Business Continuity Management
Failure to respond to climate change: Climate change causes changes to our community and City we have not anticipated or planned for which will negatively impact on the wellbeing of our community.	Very High	Very High		<ul style="list-style-type: none"> Climate Change Maturity Assessment 	



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

11

Internal Audit Coverage by key strategic and organisational risk / core processes (cont'd)

Key Enterprise Risk	Inherent Risk Level	Residual Risk Level	Historical coverage (FY2022 to FY2024)	Proposed coverage	
				FY2025	FY2026 & FY2027
Failure to provide a safe and healthy work environment: Ineffective or inadequate health, safety and wellbeing management at our work sites leads to a failure to provide a safe and healthy work environment for Council staff or workers (inc. contracted or volunteer workers) resulting in a serious injury incident or fatality and increased exposure to litigation	Extreme	High	<ul style="list-style-type: none"> Contracts – Health & Safety Audits (FY2022) 		
Failure to provide a safe environment for the community: Ineffective or inadequate safety and security management at our community attractions and facilities might mean we fail to provide and maintain a safe environment for the community resulting in a serious injury incident or fatality and increased exposure to litigation.	Very High	High	<ul style="list-style-type: none"> Property Management (FY2021) Contracts – Health & Safety Audits (FY2022) 		<ul style="list-style-type: none"> Animal control
Failure of critical assets: Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Very High	Very High	<ul style="list-style-type: none"> Leased Property Acquisition (FY2021) Capitalisation of Assets (FY2022) Strategic Property Unit (FY2022) 		<ul style="list-style-type: none"> Asset Management



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

12

Contact us

Bineeta Nand
Partner

T +64 21 867 052
E bineetanand@kpmg.co.nz

Murtaza Ali
Director

T +64 21 243 6169
E murtazaali@kpmg.co.nz

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

© 2024 KPMG, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

kpmg.com/nz



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

13



Fees and Charges – Resource Consents Review

Internal Audit Report

June 2024

Item 13

Attachment 2

Contents

01	Executive Summary
02	Background
03	Detailed findings and recommendations
04	Appendices
	Appendix 1 – Internal audit scope (extract)
	Appendix 2 – Ratings and classifications



01

Executive Summary



Item 13

Attachment 2

Executive summary

We have completed an internal audit of the fees and charges processes for resource consents in accordance with the Internal Audit Plan for FY2024 as approved by the Strategic Risk and Assurance Committee (SRAC).

The overall objective of the review was to assess the adequacy of design and operating effectiveness of key controls relating to fees and charges for resource consents. The specific objectives, scope and approach of this review were agreed with HCC Management and are set out in Appendix 1.

Overall rating and comments

Based on the results of the review, we have rated the overall control environment for resource consents fees and charges as **Effective**. Refer to Appendix 2 for the classification of the Internal Audit ratings.

Overall Rating

Effective

Refer to Section 3 for the detailed findings and recommendations.

The "effective" rating suggests that HCC has well-established processes and controls for managing resource consent fees and charges, albeit largely manual, with clear roles for those involved.

Efforts to strengthen the fees and charges processes were evident in recent initiatives, such as the introduction of a time capture tool. This initiative was driven from limitations in the Authority system, which lacked immediate visibility and had data accuracy issues. The new time capture system streamlined the process for internally processed consents, resulting in an immediate increase in charged hours per day and receiving positive feedback from planners regarding its ease of use and improved time accountability. Moreover, the availability of a detailed breakdown enables business administrators to verify the accuracy of the time charged in the Authority system against the time capture tool, ensuring correct billing to the applicant.

However, there are further opportunities for improvement by tightening controls over key areas of the fees and charges processes such as annual fees and charges updates and timeliness of final invoices. (see key findings below and detailed findings section for further details).

Comfort

We noted the following key positive attributes relating to resource consent's fees and charges processes:

- A new 'time capture' system has been introduced.
- The business administrators review the invoices to verify that the team's relevant application processing time has been accurately captured before raising the invoice to the applicant.
- The Planning Guide Unit (PGU) team leads and operational staff members have a good understanding of fees and charges processes relating to resource consent.
- All the consent applications are completed and processed within the prescribed RMA days.
- There is strong and consistent practices of peer review and approvals as well as delegation of authority principles embedded.

Key findings

Particulars	High	Medium	Low
Total internal audit findings	-	2	2

The medium rated findings are as follows:

- Every year in July, the rates relating to resource consent are revised and updated in the Authority system by the IT team. However, there is no control to ensure that the rates uploaded are accurate. Our sample testing highlighted that the old rates for Principal/Senior Planner were applied to the consent throughout August, September and part of October. While the issue was rectified in October, there was no investigation performed to understand the underlying root cause of the issue.
- There are no defined timeframes for raising the final invoice to the applicant. Our sample testing highlighted 15 instances where invoices are sent a month or more after the final consent was sent to the applicant. The absence of a defined process and established timeline in raising final invoices may lead to delayed billing, resulting in potential negative impact on cashflow and applicant satisfaction.

Summary of findings identified by risk ratings

Observations	Risk Rating	Overall Management Comments
1 Ensure annual rates are correctly uploaded into the Authority system	MEDIUM	<p>We appreciate the comprehensive analysis of the data supplied and the recommended ways we can further enhance our systems and processes. The "Effective" rating is reassuring and that, "Efforts to strengthen the fees and charges processes were evident in recent initiatives."</p> <p>We pride ourselves on completing tasks efficiently and effectively, with our systems and processes deemed to be appropriate and effective, including financial controls.</p> <p>We acknowledge that systems and processes can always be improved and appreciate all the recommendations, which will all be implemented over the next couple of months.</p>
2 Ensure timely billing of the final invoices to the applicant	MEDIUM	
3 Simplify planning costing sheet to enhance user experience	LOW	
4 Embed operational risk identification and assessment into the resource consent processes	LOW	



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

5

02

Background



Background



Team Structure

The resource consent applications are managed by Planning Guide Unit (PGU). The team structure includes six Senior Planners, one Intermediate planner, three Planners and three Graduate Planner who assess the application. There are three team leaders who allocate the application and review the draft consent report prepared by the Planners. There are five compliance and monitoring officers who will monitor whether the conditions in the consent are fulfilled once the construction work has commenced or completed. There are six business support team members who provide administration support to the team such as lodging the application in Authority, raising deposit and final invoice. The team reports to the Planning Guidance unit Director.



Consent statistics

During the scope period (April 2023 to March 2024), there are 363 applications processed and granted. Out of the total applications, around 52% relate to land use consent and 25% and 23% relate to change of conditions and subdivision consent respectively.

Out of the total 363 applications, 29% of the applications are processed by the external consultant. Due to resourcing constraint generally less complex applications are outsourced to external consultants.



Processes, data and systems

HCC issues resource consents to permit various land uses which affect the environment and deviate from its district plan including sub-divisions. It receives around 100 – 120 resource consent applications per quarter and by law these must generally be completed within 20 working days (although extensions are possible) of receiving the deposit. Once the deposit is received, resource consent applications are assessed either internally or externally through consultants – however the final fees and charges including invoicing, are completed internally by the HCC team.

A high-level description of systems used are mentioned below

System	Description
Authority	Management System where majority of application work is undertaken in this program
Content Manager	File storage system
Power BI	Microsoft reporting system
Time Capture tool	Excel spreadsheet system to capture chargeable time
Opal 3	Reporting system



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

7

03

Detailed findings and recommendations



1. Ensure annual rates are correctly uploaded into the Authority system

Rating of finding

MEDIUM

Observation

The resource consent fees and charges are updated annually in July. The IT team is responsible for updating the charges in the system. However, there is currently no review and approval process to ensure the accuracy and completeness of the rate changes in the system. Once the rates are updated, they are automatically applied to the invoices, and no further checks are conducted to verify the rates charged.

During our sample testing to assess the accuracy of the rates on the invoices, we discovered that despite the rate change being implemented in July 2023, the system used old rates for the invoices issued in August, September, and October 2023. While Management identified the issue in October 2023 and updated the rates in the system, it remains unclear what caused this error. There is no formal documentation of the investigation into this incident, nor of any actions taken by Management to prevent and promptly detect such errors in the future.

Impact

Under or over charging of fees and charges to applicants resulting in financial, or reputation loss to the council.

Recommendations

1. Introduce a formal review and approval process for rate changes in the system. This could involve a designated individual or team verifying the accuracy and completeness of rate updates before they are applied to the invoices.
2. Develop a standard procedure for documenting and investigating incidents related to rate errors. This includes thoroughly documenting the root cause of the error and the actions taken to rectify it. This documentation should be easily accessible for future reference.

Agreed Management Actions

1. All charge out rates will be loaded by the Business Manager and checked by a member of the Business Support team to ensure accuracy of the inputted data. Additionally, charge out amounts are clearly visible on each team members spreadsheet which further ensures accuracy of the rate and amount on-charged.
2. Develop standard procedure for investigating data input errors.

Responsibility

Chris Hubbard, Business Manager.

Target Date

- 28th June 2024



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

9

2. Ensure timely billing of the final invoices to the applicant

Rating of finding

MEDIUM

Observation

Our review of the timeliness of invoicing has revealed delays in issuing final invoices to resource consent applicants. Currently, there are no specific timeframes or guidelines in place for sending out the final invoices. Additionally, there is a lack of processes or controls to identify cases where invoices are not issued promptly.

We observed 15 instances of delayed invoicing where the final invoice was sent to the applicant a month or more after issuing the final consent. The breakdown below shows the sample invoices tested by us and the number of days the invoices were issued after the final consent:

No of invoices	Timelines
7 invoices	Invoices raised between 30 to 45 days
6 invoices	Invoices raised between 45 to 90 days
2 invoices	Invoices raised after 90 days

Impact

- Delays in invoicing can result in a negative impact on cash flow for the Council.
- Delayed invoicing affects the experience of resource consent applicants, potentially leading to dissatisfaction and a negative impact on the organisation's reputation. Poor customer service in the form of delayed billing can reflect poorly on the organisation's professionalism and reliability.

Recommendations

1. Implement specific timeframes and guidelines for issuing final invoices to resource consent applicants. This will create a standardised process and provide clarity on expectations for timeliness.
2. Develop and implement monitoring mechanisms and controls to identify cases where final invoices are not issued promptly. This could involve tracking the time elapsed between final consent and invoice issuance and establishing alerts for delays.
3. Provide training to staff members involved in the invoicing process to raise awareness of the importance of timely invoicing. Emphasise the impact of delayed invoicing on cash flow, customer satisfaction, and regulatory compliance.
4. Explore the possibility of automating invoicing processes or improving existing workflows to streamline the issuance of final invoices. Automation can help reduce manual errors and ensure timely delivery of invoices.

Agreed Management Actions

All recommendations are accepted and will be implemented in full.

Responsibility

Chris Hubbard, Business Manager.

Target Date

26th July 2024



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

10

3. Simplify planning costing sheet to enhance user experience

Rating of finding

LOW

Observation

Our review of the planning costing sheet has brought to light the following issues:

- There is a lack of clarity regarding the policy on whether the planning costing sheet should be included with the final invoice sent to the applicant. Presently, the council's practise is to provide the planning costing sheet to the applicant in certain cases, along with the final invoice, as determined by the business administrator's discretion.
- Our review of the planning costing sheets has revealed that the layout of the sheet is intricate and may lead to confusion for the applicant when received alongside the final invoice. For example, various planning-related costs, such as vetting charges and team members' processing time, are presented separately. Moreover, internal processing costs are billed without a clear breakdown, adding to the potential for confusion.
- Furthermore, we identified mathematical errors in the planning costing sheets we sampled. The inaccuracies in the sub-total amounts, although not affecting the final total stated in these sheets, if transmitted to the applicant, could tarnish the professional image and reputation of the council.

Impact

Poor customer outcomes and potential reputation risk as the information presented to the applicant may not be correct and can lead to disputes.

Recommendations

1. Clarify expectation for sending the planning costing sheet to ensure consistency of the practice.
2. Review and enhance the format and layout of the planning costing sheet to make it easier for the applicant to follow and be able to understand charge applied by the council.
3. Implement controls in the planning costing sheet such as auto totals to ensure accuracy of the charges calculated in the planning costing sheet.

Agreed Management Actions

All recommendations are accepted and will be implemented in full.

Responsibility

Chris Hubbard, Business Manager.

Target Date

26th July 2024



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

11

4. Embed operational risk identification and assessment into the resource consent processes

Rating of finding

LOW

Observation

Undertaking operational risk assessments is key to good risk management. We note that there are enterprise-wide risk identification and assessment process in place that captures key risks to council's strategy and business objectives at an enterprise level. We also note that there are business unit risk registers that link back to the enterprise level risk categories such as financial, legal, and regulatory.

However, the business unit risk assessment process does not capture risks and controls relating to key operational processes such as resource consent.

Identification and assessment of key operational risks, controls, and testing of key controls ensure that the risks are managed and/or mitigated to an acceptable level in line with the organisation's risk appetite.

Impact

Inadequate management of operational risks which may result in financial and reputational loss.

Recommendations

1. Undertake a comprehensive operational risk identification and assessment covering key operational processes such as resource consent. These should include a consideration of what could go wrong in the execution of the day to day processes and ensure controls and other risk mitigations are in place.
2. Where gaps in risk mitigation are identified, ensure appropriate risk treatment plans are in place.
3. A periodic operational risk refresh process should be put in place to ensure key risks are continually assessed to reflect new and emerging risks or changes in the processes or operations.

Agreed Management Actions

All recommendations are accepted and will be implemented in full.

Risk assessment process has been written and initial risk assessment has been undertaken. This has resulted in a risk management plan now being in place that utilises a traffic light risk assessment approach. It also defines mitigations for each identified risk.

The plan includes monthly review sessions with the team to update risk assessment, mitigation strategies and add any newly identified risks. We are currently awaiting feedback on the new risk management plan.

Responsibility

Chris Hubbard, Business Manager.

Target Date

28th June 2024



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

12

04

Appendices



Item 13

Attachment 2

Appendix 1: Internal Audit scope (to be update)

Internal Audit Objectives

The objective of this engagement was to:

- Review the adequacy and effectiveness of internal controls in place relating to HCC's fees and charges processes;
- Provide recommendations for improvement where gaps and opportunities exist.

Internal Audit Scope

- Fees and charges profile set up in the system
- Customer application and acknowledgement
- Receipting of refundable and non-refundable deposit
- Process of consent creation and application of fees and charges
- Invoice creation, review, approval, and issuance
- Vetting and assessment for application
- Capturing time spend on reviewing consent applications including site visits
- Site visit reporting and assessment
 - Payment receipting and recording
 - Outstanding payment follow-up and recovery
- Consent review and approval
- Delegation of authority for consent approval
- Waivers, discounts, and refunds
- Key performance indicators and service
- Customer complaints and query handling relating to fees and charges
- Management reporting and monitoring.

As part of the review, we focused on the identification and assessment of the following types of internal controls in the above-mentioned processes:

- Policies, procedures, and guidelines
- Roles and responsibilities of key stakeholders and process owners
- User access management
- Segregation of duties
- Delegation of authorities
- Review and approval of transactions; and
- Exception reporting

Out of Scope

The review did exclude the following areas:

- Justification of fees and charges
- Models or tools used in calculating fees and charges
- Fees and charges relating to Development Contributions (DC)

Internal audit approach

The approach included the following steps:

Planning

- Obtain and review relevant information including policies and procedures, process documents and other supporting information relating to fees and charges. This will include any data that is relevant to fees and charges.
- Create an overview of the in-scope areas to obtain and understanding of the processes and the key risks and controls associated.



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential | 14

Appendix 1:

Internal Audit scope (to be update)

Fieldwork

- Perform a walkthrough of the key processes and document key risks and controls.
- Use the risk and control assessment to target the fieldwork to areas of significant risk. Detailed testing will be performed in line with KPMG's Internal Audit methodology as required to support our conclusions.
- Potential internal audit findings will be cleared with process owner prior to drafting the Summary of Findings for discussion in the closeout meeting with the review sponsor.

Reporting

- A report will be drafted detailing the internal audit findings and recommendation to Management for documentation of their intended action plan
- Issue draft report to management for documentation of their intended action plans.
- Present final report to the Strategic Risk and Assurance Committee.



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential | 15

Appendix 2: Ratings and classifications

Audit rating

The audit ratings are defined as follows:

Rating	Definition
GOOD	The controls are fit for purpose and are being performed in a manner which effectively mitigates the identified risks.
EFFECTIVE	Despite the fact that some control weaknesses were identified, existing controls within the audited process are considered to be generally adequate, appropriate and effective. They ensure that the audited business processes will achieve their control objectives.
DEVELOPING	Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.
NOT EFFECTIVE	Existing controls are considered to be inadequate and ineffective to ensure that the audited business processes will achieve their control objectives. Significant improvements are required to improve the adequacy and effectiveness of the control environment.

Risk rating

The risk rating assigned to the findings is determined based on an assessment of the impact of the business and the likelihood of the risk occurring, defined as follows:

Rating	Definition
LOW	Matters which are unlikely to have a significant impact on the system of internal control but should be addressed as part of continuous improvement.
MEDIUM	Matters which are important to the system of internal control and should be addressed as soon as possible.
HIGH	Matters which are fundamental to the system of internal control. The matters observed can seriously compromise the system of internal control and data integrity and should be addressed as a matter of urgency.



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential | 16

Contact us

Bineeta Nand

Partner

T (+64) 93 675 945

E bineetanand@kpmg.co.nz

Murtaza Ali

Director

T (+64) 21 243 6169

E murtazaali@kpmg.co.nz

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

© 2024 KPMG, a New Zealand partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



© 2024 KPMG New Zealand, a New Zealand Partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential | 17

Council Report

Committee: Strategic Risk and Assurance Committee

Date: 18 June 2024

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager Business Services

Report Name: Organisational Improvement Report

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

Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on the status of Council's Organisational Improvement Register as of 31 May 2024.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. Council's risk management programme includes the completion of external audits by Audit New Zealand, Office of the Auditor General (OAG), Waka Kotahi (NZ Transport Agency), Ministry of Business, Innovation and Employment (MBIE) and others, and internal audits by PricewaterhouseCoopers (PwC), KPMG and Council staff.
4. **Attachment 1** to this report is the Organisational Improvement Register, listing all high-risk items.
5. Staff consider the matters have low significance and that the recommendations comply with Council's legal requirements.

Discussion – *Matapaki*

Organisational Improvement Register

6. The Organisational Improvement Register contains a detailed breakdown of all external audit recommendations and recent (2020 onwards) PwC internal audit recommendations. They are categorised by risk (low, moderate, high) and by their current status (complete and ready for reauditing, in progress, delayed or not yet started). For the items that are complete, the next audit round needs to occur before they can be cleared from the register.
7. Recommendations arising from internal audits performed by Council staff, and older PwC internal audits (2020 and prior) have been re-assessed for completion. Items have been added to the Organisational Improvement Register if they are still uncleared.
8. All 'in progress' or 'delayed or not yet started' items are actively monitored on a quarterly basis.

9. The tables below summarise the status of the high-risk items contained within the attached Organisational Improvement Register.

Auditors	Complete	In progress	Delayed or not yet started	Not due yet	Total
PwC Internal Audits	4	2	1	5	12
Total	4	2	1	5	12

Risk	Complete	In progress	Delayed or not yet started	Not due yet	Total
High	4	2	1	5	12
Total	4	2	1	5	12

10. In addition to the above, there have been completed audits in the following areas where we are awaiting the final audit report:

Who	What	Last Done	Next Due
Waka Kotahi	Transportation Procedural Audit	April 2024	TBC
International Accreditation New Zealand (IANZ)	Building Consent Authority accreditation assessment	May 2024	TBC
KPMG	Internal Audit - Fees and Charges	June 2024	N/A
KPMG	Internal Audit - Procurement	In progress	N/A
KPMG	Internal Audit – Accounts Receivable and Debtor Management	In progress	N/A

11. Once the audit reports have been finalised, any recommendations will be included in the organisational improvement register.

Financial Considerations - *Whaiwhakaaro Puutea*

12. This is a regular operating activity funded through the Long-Term Plan.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

13. Staff confirm that matters in this report comply with the Council's legal and policy requirements.
14. Staff have also considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matters in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Risks - *Tuuraru*

18. There are no known risks associated with this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Organisational Improvement Register June 2024 (High Risk)

ID Number	Description	Audit Recommendation	Risk	Date raised	Owner	Reporting user	CM Document	Action taken	Status	Status Update
Dat-E 3018 IBIS Breeze System D-3845480										
Ent-E 3024	Refresh alerts to indicate batch status	Breeze to be further developed to either force a refresh on change of assumptions, or display an alert to the user clearly and prominently within the system, indicating that a refresh is required before outputs can be relied upon. Alternatively, a status bar that tracks at what stage the batch set is at be included, so that the user knows what stage the batch set is at (e.g. inputs loaded/assumptions set/refresh run).	High	Jun-21	Sarah Vaz	Candice Swanepoel	D-3845480	IBIS has yet to implement this functionality.	Complete - ready for re-auditing	A display alert is visible in the server interaction window when the Breeze system is refreshing the data (loaded imports, assumptions, new capital data). The batch set status is visible through the 'view execution status' tab under the processing ribbon. This tracks where a batch set is in the process of refreshing data.
Dat-E 3060 Business Continuity Management D-4469401										
Ent-E 3061	Development of a Resilience Management Policy	Develop a Resilience Management Policy incorporating business continuity, crisis, emergency and incident, and protective security management.	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Due date 31 March 2023	Delayed, not started	A draft Resilience Management Policy has been created. The next step is to circulate this with key staff for review.
Ent-E 3062	Establish resilience working and governance groups	Establish resilience working and governance groups	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Due date 30 June 2023	Not yet due	No updates this quarter.
Ent-E 3063	Development and implement a resilience training and testing programme	Development and implement a resilience training and testing programme.	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Due date 30 June 2024	Not yet due	Not yet started.
Ent-E 3065	Align operational-level BIA with enterprise-level BIA as part of routine BCM reviews and updates.	Align operational-level BIA with enterprise-level BIA as part of routine BCM reviews and updates.	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Critical functions due by 30 April 2023Enabling functions due by 31 July 2023.	In progress	All Tiered 1, 2, 3 and Critical Support Units have BIAs booked and/or completed. All BIAs will be completed by end of May 2024.
Ent-E 3066	Refresh the BCP template	Refresh the BCP template	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Due date 30 March 2023.	Not yet due	A revised BCP template has been drafted. This will be amended and then implemented following the BIA workshops which are scheduled for May.
Ent-E 3067	Establish resilience working and governance groups	Establish resilience working and governance groups	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Due date 30 June 2023	Not yet due	No updates this quarter.
Ent-E 3068	Development and implement a resilience training and testing programme.	Development and implement a resilience training and testing programme.	High	Oct-22	Nicholas Whittaker	Nicholas Whittaker	D-4469401	Due date 30 June 2024	Not yet due	Not yet started.
Dat-E 3100 GST & FBT Compliance Evaluation Candice Swanepoel D-4695388										
Ent-E 3114	Adoption of pooled alternate rate method for FBT returns	Adopt pooled alternate rate method for Q4 2024 FBT calculations	High	Feb-23	Sarah Vaz				Complete - ready for re-auditing	The pooled alternate rate method has been adopted for the Q4 2024 FBT calculations.
Dat-E 3120 Vendor Analytics Internal Audit D-4634623 David Bryant										
Ent-E 3124	Segregation of duties in PO process	Investigate how the PO's were raised and approved by the same person.	High	Mar-23	Igor Magud		D-4634623		Complete - ready for re-auditing	Standing report has been created to monitor any issues.
Ent-E 3125	Segregation of duties and Authority access	Ensure delegated authority workflows are in place and in line with access to Authority	High	Mar-23	Igor Magud		D-4634623		Complete - ready for re-auditing	Standing reports have been created, and will be monitored regularly for any anomalies in system permissions.
Ent-E 3126	Duplicate Invoices Controls	Investigate the duplicate invoices identified and request refunds from vendors where needed	High	Mar-23	Matt Bell		D-4634623		In progress	Confirmed Authority 7.1 has controls in place to stop duplicate invoices being entered against the same creditor. Procurement team developing the use of Abbyy workflow, to assist in monitoring and review of AP transactional data. Ad-hoc reporting has been produced in the interim and assessed for possible duplicate invoices.

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Strategic Risk and Assurance Public Excluded Minutes 26 March 2024) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)
C2. Organisational Improvement Register - Public Excluded		
C3. Legal Risks - Committee Update		
C4. SR4 Loss of Information or Access to Systems and Services		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to maintain legal professional privilege to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (g) Section 7 (2) (h) Section 7 (2) (i)
Item C4.	to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (c) (ii) Section 7 (2) (j)