

Notice of Meeting:

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

Date: Wednesday 14 December 2022
Time: 9.30am
Meeting Room: Council Chamber and via 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 K Horne
Heamana

Deputy Chairperson Mr B Robertson
Heamana Tuarua

Members

Mayor P Southgate	Cr R Hamilton
Deputy Mayor A O'Leary	Cr K Naidoo-Rauf
Cr M van Oosten	Cr E Wilson
Cr M Tauariki	

Quorum: Four members (including one external appointee)

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

Amy Viggers
Mana Whakahaere
Governance Lead

6 December 2022

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Purpose:

The Strategic Risk and Assurance Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management 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*

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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 6727.

Council Report

Item 5

Committee: Strategic Risk and Assurance Committee
Date: 14 December 2022
Author: Lance Vervoort
Authoriser: Lance Vervoort
Position: Chief Executive
Position: Chief Executive
Report Name: Chief Executive Report

Report Status	<i>Open</i>
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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 staff vacancies, health & safety, and inflation.
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 risk topics 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*

Staff vacancies

7. New Zealand's labour market continues to be extremely tight, and the country is experiencing record high employment. Council continues to have a significant number of staff vacancies as a result. We are currently recruiting for 196 staff to fill vacant roles.
8. Strong competition for candidates continues to cause pressure to match higher remuneration levels being offered by other organisations. Additionally, recruitment agencies are aggressive in shoulder tapping our existing staff offering significant salaries to entice them to leave Council.
9. To compete for talent, and to support retention of existing staff, Council is introducing several new initiatives.

10. These include providing free health insurance for all staff. This was launched in November and has been received very positively by all. We continue to develop our new leadership programme to accelerate the development of existing leaders and develop emerging leaders and have launched “Our Way of Working” strategic programme to refresh Council’s Purpose, Values, Vision, and Mission.

Health & Safety

11. Maintaining a safe working environment for staff and contractors continues to be a priority. A significant focus at present is supporting the mental wellbeing of our people.
12. Along with staff shortages, the Covid-19 isolation requirements and general sickness is exacerbating stress and the fatigue of our people. Both Council staff and external suppliers to Council are experiencing this phenomenon.
13. Many staff will enjoy a much-needed holiday break over the Christmas period however for others this will be their busiest period of the year.
14. People Leaders continue to support staff by regularly checking in on their wellbeing and helping them prioritise their workload to manageable levels.

Inflation

15. Inflation and the cost impact on Council is a concern.
16. The COVID-19 hangover and the war in Ukraine continues to put pressure on world food and energy prices. Locally, the demand for products, materials and labour is outstripping supply. This all leads to significant inflationary pressures for New Zealand businesses and consumers.
17. In response the Reserve Bank is actively trying to slow New Zealand’s economy (demand) to stem rising prices. It is doing this by increasing the OCR significantly to lift borrowing interest costs and therefore reduce business and household discretionary income.
18. For Council the higher cost of materials and labour is providing a significant challenge to deliver work programmes and services within existing budgets.
19. Staff will be working with Elected Members to develop a 2023/24 Annual Plan to address these challenges as best as possible.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

21. Staff consider the matter of this report to be of low significance and that the recommendations comply with Council’s legal requirements.
22. 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*

23. 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’).
24. The subject matter of this report has been evaluated in terms of the (‘the 4 wellbeings’) during the process of developing this report.
25. The recommendations set out in this report are consistent with that purpose.

26. No known social, economic, environmental, or cultural considerations were identified in the development of this report.

Risks - *Tuuraru*

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

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

28. 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

Committee: Strategic Risk and Assurance Committee
Date: 14 December 2022
Author: Michelle Hawthorne
Authoriser: David Bryant
Position: Governance and Assurance Manager
Position: General Manager People and Organisational Performance
Report Name: Draft Work Programme - 2023

Report Status	<i>Open</i>
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Purpose - *Take*

1. To seek approval from the Strategic Risk and Assurance Committee of the draft work programme for the Strategic Risk and Assurance Committee meetings of 2023.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee:
 - a) receives the report;
 - b) adopts the draft work programme for the Strategic Risk and Assurance 2023 Committee; and
 - c) notes that a wider Schedule of Reports for the Strategic Risk and Assurance Committee, Council, and other Committees for 2023 will be updated and provided to the Strategic Risk and Assurance Committee in 2023.

Executive Summary - *Whakaraapopototanga matua*

3. Prior to the commencement of each calendar year, it is recommended that the Strategic Risk and Assurance Committee sets a work programme.
4. Staff recommend the draft work programme be adopted as detailed in paragraphs 13 and 14 below.
5. Staff consider the matters in this report to have low significance and that the recommendations comply with Council's legal requirements.

Background - *Koorero whaimaarama*

6. Prior to the commencement of each calendar year, it is recommended that the Strategic Risk and Assurance Committee sets itself a work programme. While priorities can shift during the year as unexpected issues arise, the work programme is a useful tool to enable Committee Members to set their direction and to allow staff to understand the work priorities that need to be achieved.
7. The Strategic Risk and Assurance Committee will also need to consider whether its draft work programme is consistent with its Terms of Reference.

8. The purpose of the draft schedule of reports (which will be circulated in early 2023) is to provide Committee Members with oversight of the planned and upcoming activities/schedule of work for 2023 for Council and all its committees. Decisions from this report on the Strategic Risk and Assurance Committee's work programme will inform the overall draft schedule of reports.
9. The Chair will continue to have close oversight of items for upcoming committee meetings via the agenda planning meetings. As per the normal process, the relevant Chair's approval will be sought where an upcoming agenda item needs to be added or removed after the agenda planning meeting has taken place.
10. The Governance Unit and the Executive Leadership Team Executive Assistants will take responsibility for maintaining an up-to-date record of planned reports. Committee Members can request updates to the schedule via the Governance Team or Principal Advisors.

Discussion - *Matapaki*

11. The following draft work programme is proposed for discussion by the Strategic Risk and Assurance Committee. The work programme identifies issues which have been developed and reviewed on a quarterly, annual, and ad hoc (two to three yearly) basis as a suggested base work programme.
12. There may be other matters that the Strategic Risk and Assurance Committee may wish to consider for inclusion or replacement in the work programme.
13. The proposed standing reports for each meeting are:
 - i. CE Report
 - ii. Safety and Wellness Report
 - iii. Risk Management Report
 - iv. Internal Audit
 - v. Organisational Improvement Register
 - vi. Compliance, Fraud and Protected Disclosures
 - vii. PX Legal Risks
 - viii. PX Cyber Risks
 - ix. External Audit (Audit NZ)

14. In addition to the above the following reports have been proposed for each meeting date in 2023:

March 2023	June 2023	September 2023	December 23
<ul style="list-style-type: none"> • Schedule of reports for Council and Committees for 2023 • Annual Report and audit planning update • Final AR management report from Audit NZ • Crisis and Emergency Management update 	<ul style="list-style-type: none"> • Accounting Treatment Review • Annual Report – Letter of engagement of auditors • Annual Report – review of contingent liabilities and contingent assets (in legal risk report) • Annual pre-renewal Insurance Report • Tax Compliance review • Update on Physical Security Review • Fraud and Corruption Management Policy review • Compliance Policy review • Risk Management Policy review • Climate Change Risk Assessment • External Audit Plan 	<ul style="list-style-type: none"> • Review of Annual Report and letters of representation • Annual Report - Interim Management Report (Audit NZ) • Draft Internal Audit Plan for 2023/24 • Draft Internal Audit Plan (PWC) for 2023/24 • LTP – Letter of engagement of auditors and engagement of SRAC in the project • Climate change disclosure report • Annual Council Controlled Organisations Material Risks review and update on annual report audits (workshop) 	<ul style="list-style-type: none"> • Annual Report - Final Management Report (Audit NZ) • Annual Credit Rating Update • Annual Post-Renewal Insurance Update Report • Draft work programme and meeting dates 2024 • Civil Defence and Emergency Management capability review • Annual SRA Committee Self Review • Business Continuity Management update report

15. The proposed work programme is consistent with the Strategic Risk and Assurance Committee's Terms of Reference, staff note that in 2023 there will be a report regarding audit fees for the next three-year period and work associated with the Long-Term Plan project that will be include in that year's work programme.

Options

16. It is open to the Strategic Risk and Assurance Committee to amend its work programme, there are some limitations regarding the timing of reports, specifically for Council's Annual Report, and some external audits.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

19. The purpose of Local Government changes on the 14th of May 2019 were to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the four wellbeings').

20. The subject matter of this report has been evaluated in terms of the four wellbeings during the process of developing this report as outlined below.
21. The recommendations set out in this report are consistent with that purpose.

Social

22. The draft work programme from the Strategic Risk and Assurance Committee provides the community with an oversight of the planned and upcoming schedule of work for 2023 Committee meetings. This increases transparency and encourages greater engagement in the democratic process.

Economic

23. Council's management of the risks and opportunities through the Committee will the impact on the community's economic wellbeing.

Environmental

24. Council continues to manage its response to the impact on the environment by establishing services that are safe and sustainable in addition embedding climate change considerations into priority projects across Council.

Cultural

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

Risks - *Tuuraru*

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

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

Significance

27. 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.

Engagement

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

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 14 December 2022
Author: Dan Finn
Authoriser: David Bryant
Position: People, Safety & Wellness Manager
Position: General Manager People and Organisational Performance
Report Name: Safety and Wellness Report - 1 August 2022 to 31 October 2022

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

1. To inform the Strategic Risk and Assurance Committee on safety and wellness strategic progress, performance, and activities for the period covering 1 August to 31 October 2022.

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

2. That the Strategic Risk and Assurance Committee recommends that the Council receives the Safety and Wellness Report – 1 August 2022 to 31 October 2022.

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 governance with a more comprehensive overview of our progress we have included supplementary updates on wider activities, assurance, and successes.
4. Our refreshed Safety Management System (SMS) has been aligned to the ISO45001 international standards. We continue to introduce forms, templates, standard operating procedures, and guidelines to support improved health and safety practices. To verify and validate our systems and procedures we are planning to undertake an internal audit by mid-2023, followed by an external audit for the purpose of obtaining ISO45001 accreditation.
5. Following the introduction of our new safety software Ora, we continue to see an uplift in the number of reported events. We believe this reflects the simplicity of our new system, how we now report events and the messaging that reporting is important to provide insights, corrective actions, and initiate change.
6. Working with EcoPortal, the platform provider, the Safety & Wellbeing team have established a series of reporting dashboards that can be refined for each Group and Business Unit. Ongoing training and system support will be provided, with dashboard reporting and data analytics forming part of our continuous improvement. Further system enhancement (Phase 2 of Ora) in the New Year looks to introduce additional modules including Permit to Work, Job Safety Analysis, and Health & Safety Inductions.

7. During this reporting period we have continued to make good progress towards improving our approach towards Contractor Management. Key actions and initiatives that were identified as part of our safety reset have been completed and we are now rolling out appropriate training across various Business Units, who engage contractors regularly.
8. We have now commenced a review of our 13 critical safety risks and have formed a project team(s) from across the organisation to participate in a series of Bowtie Risk Assessment workshops facilitated by Coachio Group, who we have engaged to help us to undertake this important work. Some ELT members have been assigned a critical risk(s) where their workers are more exposed through the work they do. As a risk sponsor, these ELT members will support the relevant project team(s) assigned to each risk and provide leadership, direction and support decision making.
9. Staff consider the matters in this report to have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Strategic Progress - *Te ahunga whakamua rautaki*

10. The following workstreams outline Council's progress on our 'safety reset' activities previously communicated. They are designed to strengthen and support our wider safety and wellbeing strategy.

Workstream	Status	Next milestone	Comment
SafePlus review recommendations	100%	Recommendations completed	Outstanding recommendations have now been completed through the introduction of our finalised SMS and Ora
SMS development and implementation	100%	The Communication Team finalised the design of the SMS.	The SMS has been uploaded under the Safety & Wellbeing Tile on Velocity
Technology and communication (Ora)	100%	The new incident management system (Ora) was launched on 6 July 2022 replacing Vault.	Ongoing training and support will be provided through the H&S team and IS
Critical risk management	50%	Organisational critical risks have been confirmed. Risk sponsors have been identified, along with Project Teams formed.	Previous critical risk bowties have been reviewed and transferred into Bowtie software by Coachio Group. Workshops with project teams have commenced
Contractor management	95%	Finalisation of documentation and formulating process on Promapp. Investigating software to support contractor induction process	Training well underway across the organisation and Concept Paper submitted for additional Contractor Induction Module within 'Who's on Location'.
Resourcing and structure review	100%	The Safety & Wellness Team have a full complement of people now on board.	Aligning with the Business Partnering Model meeting key stakeholders and building on a collaborative approach to support Council in health, safety & wellbeing
<i>Table 1 Key workstreams</i>			

Risks and Incidents - *Ngaa Tuuraru me ngaa Paanga*

11. Incidents profiled for the quarter are summarised in below.

12. There was a total of 81 injuries reported this quarter, compared to 34 in the previous period. Of those injured, 7 resulted in lost time and 8 required medical treatment. Near hit reporting has increased from the previous period with 55 near hits recorded.



Council WorkSafe Notifiable Events

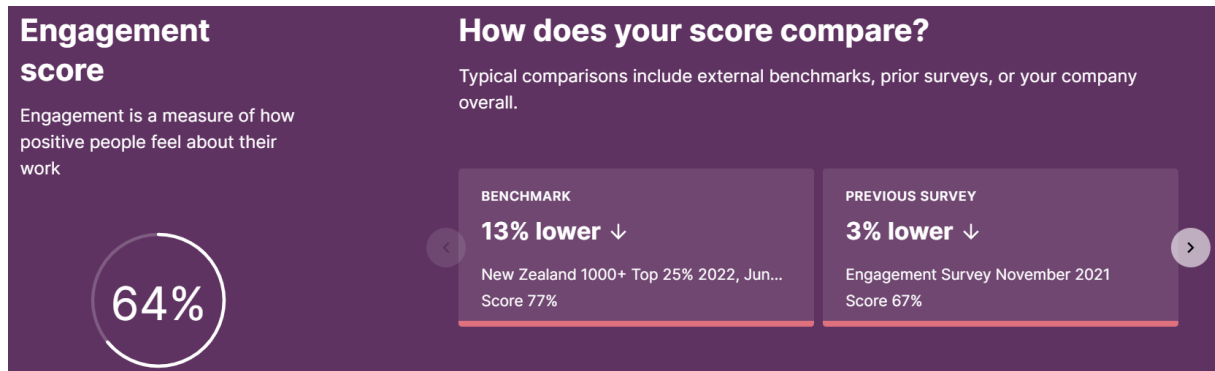
13. There was 1 event that was notified through to WorkSafe by Council. This was a service strike where a pipe was struck, and gas was released. Further details of this notifiable event can be found in **Attachment 1**.

Contractor WorkSafe Notifiable Events

14. There were no WorkSafe notifiable events reported from Contractors.

Relationships – *Whanaungatanga*

15. The Covid Protection Framework was removed at 11:59pm on 12 September 2022. This enabled Council to return to more normal work settings without the restrictions of mask wearing, RAT testing and isolating if a household contact. The return to pre-covid status has given our people the confidence to continue with flexible working and coming back into the office, which has huge benefits from a mental health and wellbeing perspective.
16. Without restriction, the Safety & Wellbeing Business Partners are able to connect better and work more closely with Business Units and Teams on location, which is an important part of our partnership model to work collaboratively, build better relationships, and understand work challenges first hand to support improvement.
17. The Safety & Wellbeing Team recently hosted Health & Safety Representatives (HSRs) from the organisation at the Hamilton Gardens to take them through key projects of work completed and those planned, along with giving an insight into the data being captured through Ora. There were also some activities to provide feedback that can be used to the HSR experience and identify opportunities to grow capability.
18. Council recently undertook its annual employee engagement survey, which ran from Wednesday 19 October to Friday 4 November. The survey is intended to provide valuable insights on our strengths and opportunities for improvement. Our engagement score was 64%, slightly down (-3%) on last year's result.



19. As well as measuring employee engagement there are also several other factors that we assess, including Health and Safety, which was the top rating factor across the whole employee engagement survey.

Health & Safety

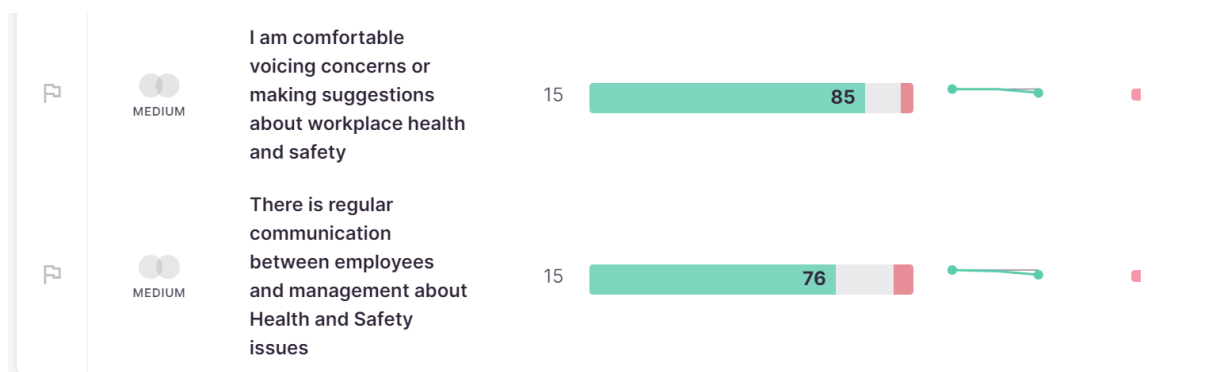
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20. The following survey questions help to form an overall picture of our health and safety climate, including wellbeing and mental health. It is intended that the survey insights will also be used to form a benchmark wellbeing index, that we will use for future reporting.

Focus	Impact	Question	Favorable score	Trend	Comparison
	HIGH	I believe employee wellbeing is a priority at Hamilton City Council	20 77	-	-
	MEDIUM	I feel comfortable talking about my mental health with my manager	26 66	-	-
	MEDIUM	I believe Hamilton City Council is truly committed to the health and safety of employees	26 84	—	
	MEDIUM	My manager demonstrates their commitment to Health and Safety by leading by example	8 80	—	

Item 7



21. To support our focus and commitment towards improving employee wellbeing we recently engaged Synergy Health to work with the Community Group to run pilot workshops covering mental health during this quarter. The 'Good Yarn' workshops focus on giving our people the tools to be able to know how to have a conversation with someone they might be concerned about, and more importantly, where to direct them to get further help or support if needed. These workshops were well received, and further workshops are now being planned to run across other Business Units.
22. WorkWell accreditation continues to form part of our wellbeing strategy, and we have recently landed on our new action plan for this annual performance cycle following staff feedback. These activities will be communicated out across the organisation, and we can confirm that we are in the final stages for achieving silver accreditation following employee interviews. Given current workloads, staff shortages and the proximity to Christmas and the holiday shut-down, these interviews will most likely occur in the New Year.
23. The Safety Governance Committee (SGC) met on the 7 September 2022. The next meeting is scheduled for 6 December 2022. An excerpt from the minutes is recorded below, and the full minutes are provided as **Attachment 2**.

'Contractor management was the topic of discussion and Amanda Barlow and Lewis Snapes from Council's Safety & Wellbeing Team presented an overview of the work that was being done in reviewing processes, policies, and procedures currently in this area to bring a consistent approach meeting legislative requirements with the intent to roll out training across the organisation. Sven Ladewig from H3 then shared his insights into 'working from height' which is one of Council's critical risks where he works within the events area at Claudelands.'

Resources – Rauemi

24. Current resourcing within the Safety & Wellbeing team have continued to absorb long term absences as a result extended leave and a non-work related injury. Unable to sustain further long-term absence, a new Safety & Wellbeing Business Partner is currently being recruited.
25. The centralised Health and Safety team continues to be supported through resource that is domiciled within operational areas as well as contracting in additional help to provide specialist advise and targeted support towards some of our strategic initiatives.

Assurance - Kii Taurangi

26. Progress continues towards the near completion of the recommendations made in the Council's 'State of Safety' review. Designed to measure the level of safety maturity across Council, the updated heatmap (**Attachment 3**) provides visibility on the progress of corrective actions assigned to each business unit.

27. It remains our intention to undertake further self-assessment audits to satisfy our own compliance requirements before engaging an external auditor to reassess our safety standards, practices, and progress towards continuous improvement. The completion of these projects/undertakings link directly into the assurance pillar of the SMS.

Success and Recognition - *Angituutanga me ngaa Mihi*

28. With the overview of the Contractor Management Framework completed, our focus has now shifted towards training key staff on Council's processes and procedures to help our collective understanding of what's required to meet legislative requirements. Members of the Development Team recently participated in the training, which we understand was well received.



Financial Considerations - *Whaiwhakaaro Puutea*

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

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

30. Staff confirm that any recommendations in this report comply with Council's legal and policy requirements.
31. 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*

32. 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 well-beings').
33. The subject matter of this report has been evaluated in terms of the 4 well-being's during the process of developing this report and these are outlined below:

Social

34. The matters and risks 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

35. The matters and risks 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

36. The matters and risks 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

37. Staff consider the matters and risks highlighted in this report to not have a direct impact on the cultural wellbeing.

Risks - *Tuuraru*

35. There are no risks associated with the recommendations in this report.

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

Significance

36. 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.

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - WorkSafe Notifiable Event Gas Strike IO 29092022

Attachment 2 - Safety Governance Committee Meeting - Minutes 7 September 2022

Attachment 3 - Risk Assurance report State of Safety update August - Oct 2022

WorkSafe Notifiable Event

Item 7

Attachment 1

DATE OF EVENT:	Thursday, 29th September 2022 at 10:29am
LOCATION:	6 Belfast Place, Frankton, Hamilton 3204
BUSINESS GROUP INVOLVED:	Infrastructure Operations
WHAT HAPPENED?	An employee was removing off 300mm of road surface with a digger to repair a leaking water main. While excavating in the berm to undertake the water leak repair, the gas service (not the main) was hit and damaged. The team were using a shovel and digger to excavate. The decision was made to undertake the repair while the water was on so as to cause the least amount of disruption to surrounding businesses. The excavation was holding water and the water pump was not working so visibility was poor, as such the gas lateral was damaged and gas was released. The gas was escaping through the water so the risk of explosion or the need to evacuate nearby businesses was not required as per the advice from First Gas.
WHAT IMMEDIATE ACTION HAS BEEN TAKEN:	First Gas were called to the scene to shut off the gas and repair
NEXT STEPS:	<ul style="list-style-type: none"> • Event has been reported into Ora (Event No. 00493) • Safety & Wellbeing Lead from Hamilton City Council has notified WorkSafe on 30th September 2022 • Inhouse investigation underway

Meeting Minutes

Safety Governance Committee

Time and date:	1:00pm, Wednesday 7 September 2022
Venue:	Gallagher Lounge, FMG Stadium and Zoom
In Attendance:	Greg Dearsly (Independent Chair), Lance Vervoort (Chief Executive), Dan Finn (People, Safety & Wellness Manager), David Bryant (GM POP), Helen Paki (GM Community), Marie Snowball (Safety & Wellbeing Lead), Claire Toko (H3), , Tania Hermann (City Delivery), Eeva-Liisa Wright (Infrastructure Operations), , Ewan Wilson (Elected Member), Olly Te Ua (Maaori Rep), Virginie Maene (Minutes), Amanda Barlow, Lewis Snapes, Igor Magud, Julie Single, Sven Ladewig
Apologies:	Helen Paki (GM Community) Dion Liddell (AWUNZ)

1. Welcome

Meeting opened by the Chair, welcomed everyone to the second face to face meeting of the year.

2. Karl Johnson (KG) – Turf Manager

KG joined the meeting for a short update and spoke to the committee about face masks who get fitted annually and are Go Spray accredited.

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

The minutes of the Safety Governance Committee Meeting held Wednesday 2 June, have been confirmed.

Moved by: Lance Vervoort

The previous meetings action register was reviewed and amended as follows.

Action	Assigned To	Due Date	Comments	Status
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	In progress
Review regulations for Plant, Structures and Working at heights and consider how these will apply to HCC.	Marie	Next meeting	Considered approach using the hierarchy of control	Ongoing

Meeting Minutes

Item 7

4. Contractor Management

Lewis Snapes and Amanda Barlow presented the Contractor Management item. A discussion was had around a practical example of an incident at WaterWorld.

The following questions were asked by the Committee:

Q. Who is accountable for the critical risks/bowties?

A. We have identified 13 critical risks and we need a GM attached to each bowtie. This will be presented to ELT once we receive the information from Coachio.

Q. Will the lessons learnt from contractor audits and inspections be shared?

A. Yes, ORA allows for these to be shared.

Q. Are there any targets or KPI's?

A. We are currently working on developing targets.

Q. Legislation around plant structure will come out in 2023, are we aligned with the Government requirements?

A. A lot of the work we are doing is in line with this legislation.

5. Procurement Process

*Councillor Ewan joined the meeting in person at 2:10pm

Igor Magud presented an overview of the Procurement Process.

The following question was asked by the committee:

Q. Is there ongoing monitoring in the business to ensure staff fulfil their requirements?

A. It has been identified there is not a closed loop which is where we need to get to.

5. Z Energy Case Study

The Z Energy Case Study was presented by Dan Finn.

The following question was asked by the Committee:

Q. Is there something that you think could be beneficial for us to resource or do?

A. A sequence of priorities needs to be discussed at ELT level. Marie's team will consult with the business and report back to his committee.

6. Critical Risk Deep Dive – Working at Heights from an events perspective

Sven Ladewig provided an overview and a discussion was had.

Attachment 2

Meeting Minutes

The following questions were asked by the committee:

Q. Is fatigue an issue in the industry?

A. Not for our teams, we were one of the first businesses to proactively try to decrease hours.

Q. Is there a formula?

A. We are trying to adhere to HCC rostering timeline. We have a person who is dedicated to making our rosters. We issue rosters on 20th of each month for the next month which is helpful for work/life balance.

Q. Do you use permits to work?

A. No but we have lots of process in place like locking the arena and hard hat access only. Permits to work are a large gap in our business – only the wastewater treatment plant uses it at the moment.

Q. What keeps you awake at night?

A. Mainly resourcing, not the working at heights. We have a very busy schedule and have to work towards tight deadlines. We are struggling to find staff and when we recruit it takes about one year for our technicians be able to completely fulfil their roles. Some international events make outrageous demands.

Q. What would you ask for if you had no financial constraints?

A. Hire five extra staff as we are branching out to technical network support. We have lost staff to employers who offered a higher wage.

7. General discussion – around the table

- Discussion on Contractor Management still need to be held on the floor by the Managers.
- The committee acknowledges and thanks Ewan Wilson for all his input and wishes Ewan all the best.
- Ewan said we are lucky to be working for a world class organisation and commended the important work the committee is doing.
- Dayforce will help manage fatigue as it will have a rostering function and will add rich data to be able to remedy this.
- Wellbeing is still a big focus, not just safety and we are all working on this.

8. Completed Actions Register

Action	Assigned To	Due Date	Comments	Status
Plant, Structures and Working at heights – New regulations	H&S Team	Next meeting	Amanda Barlow presented on this item during this meeting	Completed
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

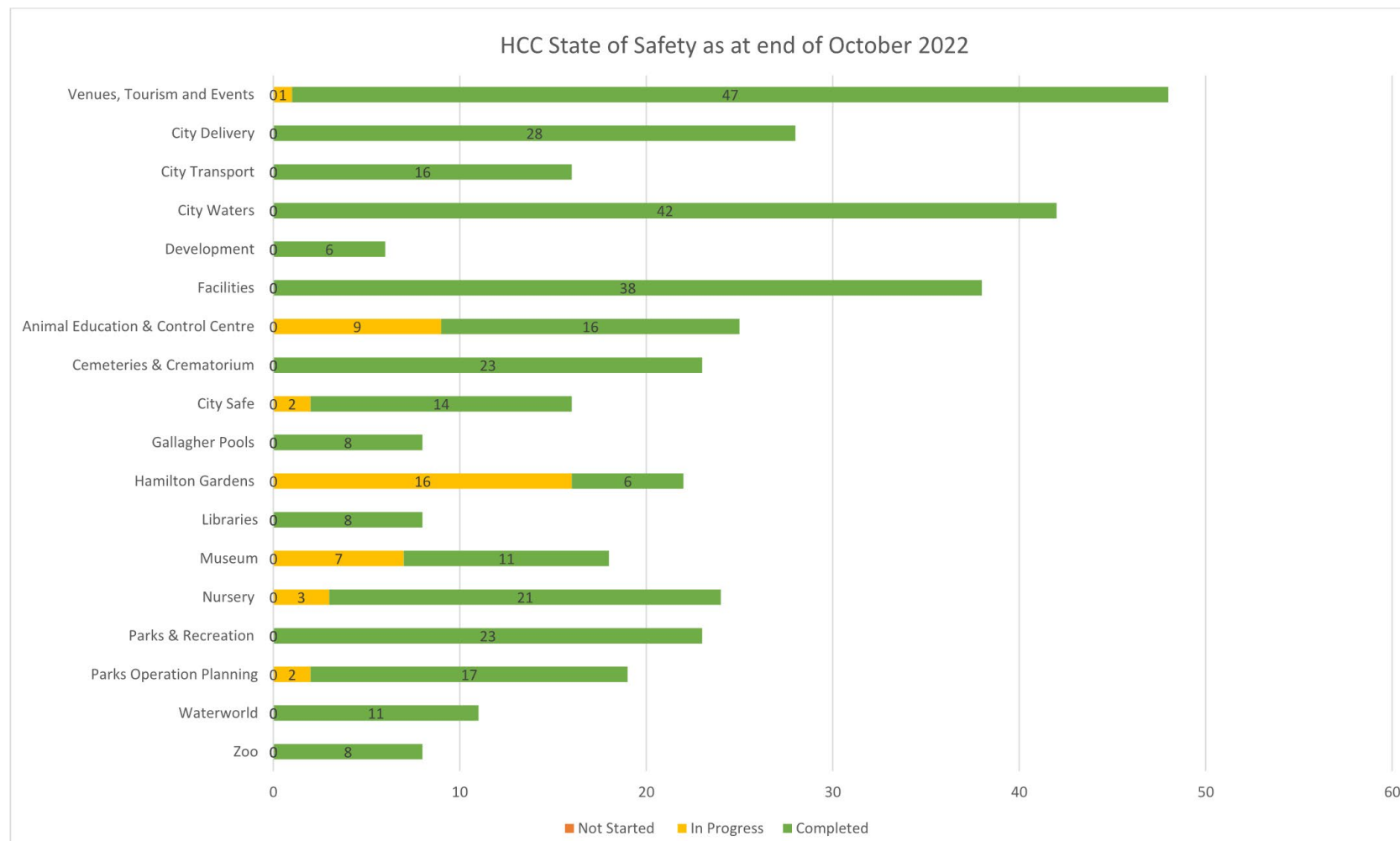
Meeting Minutes

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 Organization.	Marie Snowball	Next meeting	Service can be scaled up if require, based on interest and operational need	Completed

The meeting was declared closed at 3:34pm.

Next Meeting: TBC

State of Safety Review — Progress update October 2022



Council Report

Item 8

Committee: Strategic Risk and Assurance Committee

Date: 14 December 2022

Author: Julie Ambury

Authoriser: David Bryant

Position: Enterprise Risk Lead

Position: General Manager People and Organisational Performance

Report Name: Risk Management Report - December 2022

Report Status	<i>Open</i>
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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*

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

Executive Summary - *Whakaraapopototanga matua*

3. Hamilton City Council's strategic and organisational risks have been reviewed over the last quarter and updated to reflect the changing risk environment.
4. Staff continue to provide a regular report on these matters at each meeting of the Strategic Risk and Assurance Committee.
5. Strategic Risk 6 – Political changes negatively impact strategic direction continues to be closely monitored as Central Government's reform agenda continues to progress. The Resource Management Reform reached a significant milestone with the release of the Spatial Planning Bill, and the Natural and Built Environment Bill. Council have established a team of technical experts including legal assistance to pull together submissions on the legislation and are working with the Governance team to schedule regular sessions with Elected Members to ensure feedback is captured.
6. Strategic Risk 7 – Failure to deliver our work programmes also continues to be closely monitored as our ability to deliver our work programmes continue to be impacted by external factors and the prospect of receiving additional Central Government funding for greater output.
7. Six from 20 existing treatment plans have been completed in the last quarter and eight new treatment plans have been added. This compares with 12 from 28 existing treatment plans and nine new treatment plans in the previous quarter. This continued activity can be attributed to the implementation of SHIELD, which has made it easier for staff to review, monitor and update their risks.

8. The global risk landscape is being closely monitored to ensure our strategic and organisational risks reflect global trends. Over the next quarter and into the next we expect to see extreme weather events (especially the risk of drought) an escalation of Covid-19 (including community transmission and potential Central Government response), attraction and retention of top talent and changes in New Zealand's economic conditions influencing existing strategic and organisational risks.
9. Staff consider the matters in this report have medium significance and that the recommendations comply with Council's legal requirements.

Background - *Koorero whaimaarama*

10. The Strategic Risk and Assurance Committee meeting of 16 May 2019 approved, for monitoring purposes, eight strategic risks and three organisational risks (as set out below). At subsequent meetings, staff reported on the status of each risk and associated treatment plans. A ninth strategic risk relating to climate change was added in 2020.
11. The purpose of this report is to highlight significant activity over the last quarter for each risk. Where a risk has no significant update this quarter it has not been included in this report. The attached Risk Register sets out more detail on all strategic and organisational risks including treatment plans.
12. A review of Council's strategic risks with the Executive Leadership Team took place in May 2022. The outcome of this review included proposed changes to risk names and descriptions which were taken to the Strategic Risk and Assurance Committee Workshop on 8 June 2022. Changes to risk names and descriptions were discussed by the Committee and approved.
13. Risk names and descriptions for organisational risks have since been reviewed and updated with risk owners and responsible managers using the same approach applied to strategic risks.

Discussion - *Matapaki*

Strategic Risk 1 – Failure to Respond to a Disaster

14. 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.
15. There is no change to the residual risk rating for this risk – it remains at VERY HIGH.
16. Seven Civil Defence Emergency Management (CDEM) trained Hamilton City Council staff were deployed to Nelson over a 10-day period in mid-August to support local responses to the significant flooding event. Hamilton staff performed a variety of roles including welfare support, logistics support and leadership, intelligence collation and recovery activity.
17. The high levels of performance of our staff and their ability to seamlessly integrate into a major emergency event is an indicator that our training and exercising is achieving its purpose. It should also provide a level of confidence that we would be able to provide a creditable and professional response to any local emergencies that may arise.
18. At the end of November, key CDEM personnel at Hamilton City Council were involved in an external monitoring and evaluation capability assessment. Progress is reviewed against goals and enablers, which form part of the National CDEM Strategy. Recommendations for further improvement arising from the capability assessment will be incorporated into our CDEM yearly workplan.

Strategic Risk 2 – Significant Negative Impact on Financial Strategy

19. 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.
20. There is no change to the residual risk rating for this risk – it remains at MEDIUM.
21. There continues to be significant capital portfolio risk from cost increases due to current economic conditions. The NZ annual inflation rate to the end of September 2022 was 7.2%, similar to 7.3% in the previous quarter. Price escalation on capital goods remains considerably higher at 14.6% for both residential and civil construction in the year to September 2022.
22. Through the 2022/23 Annual Plan process Council resolved to increase the capital budgets from 3% to 7% for those projects staff identified as most likely to be at risk of cost escalation. The impact of this increase to the capital programme was an estimated \$10.6 million in 2022/23 and \$9.7 million in 2023/24. Council also resolved to increase the operating expenditure assumption for the 2022/23 Annual Plan to 5%. Economic forecasts suggest inflation will continue to be high for at least 12 to 18 months.
23. The global economic outlook continues to worsen as disruptions to supply chains, the war in Ukraine and climate emergencies continue. Central banks around the world continue to increase official cash rates to drive down inflation. In NZ and abroad, they are prepared to push economies into a recession rather than risk prolonged inflation. An economic downturn holds risk for Council's development contributions (DC) revenue stream should the construction sector cool significantly. To date consenting has held up well with DC revenue tracking well against the LTP forecasts.
24. Staff will continue to actively monitor and report on economic conditions and their impact on DC revenue, capital expenditure and operational budgets.

Strategic Risk 3 – Failure to Meet Compliance Standards

25. 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.
26. There is no change to the residual risk rating for this risk – it remains at HIGH.
27. Significant reform continues to be promulgated by Government. Visibility of the reform programme is provided to Council through regular reports, the latest of which (18 August) can be found [here](#). The draft report on Local Government Reform, He mata whaariki, he matawhanui, was released in October 2022 and can be found [here](#). He mata whaariki, he matawhanui, outlines the need for a local governance system in Aotearoa that is community-focussed and citizen-centred, based on strong relationships and partnerships. Submissions on the draft report close March 2023, with the final report due to Central Government, June 2023.
28. **The new Council** was sworn to office on 20 October 2022. There are six new Elected Members this triennium. Governance staff are ensuring compliance with the relevant legislation (e.g. schedule seven, Local Government Act 2002 and Remuneration Authority determinations) for the start of the new triennium. Elected Members have a comprehensive induction programme covering a range of key topics to ensure they are aware of their obligations and the framework within which local government operates.

Strategic Risk 4 – Loss of Information or Access to Systems

29. This risk description is 'Unauthorised access to Council's IT infrastructure (e.g. cyber attack, IT service/asset failure) results in a **loss of Council's information or access to systems** impacting on service continuity with ongoing reputational, legal and financial consequences.' This risk links to Strategic Risk 1 – Failure to respond to a disaster and Strategic Risk 8 – Failure to respond to a crisis or emergency.
30. There is no change to the residual risk rating for this risk – it remains at HIGH.
31. 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

32. 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.'
33. There is no change to the residual risk rating for this risk – it remains at HIGH.
34. The Hamilton Urban Growth Strategy (HUGS) was approved for consultation from 18 October to 20 November 2022. Submissions have been received and hearings will be late December 2022, with the strategy due for adoption in early 2023. The strategy sets out where, when and how growth will occur over the next 50 years to support community wellbeing. The three outcomes are growing up and out from the central city, growing along transport corridors and supporting the development of quality greenfield communities.
35. The housing market has softened since the beginning of 2022. House sales have fallen as have prices, particularly for low quality homes. The new-build market is experiencing a significant drop off in enquiry, with greenfield more impacted than brownfield where enquiry and activity remains constant. We expect demand to be lower in the next 18 months but will come back from 2024. We continue to monitor consenting at every stage as well as monitoring house prices and other economic indicators.
36. Plan Change 12 has been notified, submissions received and opened for further submission on 28 November 2022. Hearings are due to commence 14 February 2023.

Strategic Risk 6 – Political Changes Negatively Impact Strategic Direction

37. 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.
38. There is no change to the residual risk rating for this risk – it remains at VERY HIGH.
39. Local Government Elections took place on 8 October 2022. A comprehensive induction programme is underway for the new Council, focusing on professional development, key challenges for the city, key strategies, a series of growth tours and the Central Government reform programme.
40. Central Government's reform agenda continues to progress, with the release of the latest Future for Local Government report, progression of the Three Waters reform, and release of two of the three new Bills that will replace the Resource Management Act.

41. Staff have established a cross-council reform team to determine the potential impacts of the suite of reforms on Council's form and function and will communicate potential change to the wider organisation as information becomes available. Smaller teams have been established to focus on each of the individual reform work programmes; Three Waters, Resource Management, and the Future for Local Government.
42. Visibility of the reform programme is provided to Council through regular reports.
43. The Resource Management (RM) Reform has reached a significant milestone with the release of the Spatial Planning Bill, and the Natural and Built Environment Bill that provide the detail of the new planning system. There is likely to be a limited time period for making submissions, coinciding with the holiday break, so there is a high risk that councils will not be in a position to provide comprehensive feedback on the bills during the submission period. The legislation will impact on the form and function of councils, however will be phased in over a 10 year timeframe.
44. Council have established a team of technical experts including legal assistance to pull together submissions on the legislation, and are working with the Governance team to schedule regular sessions with Elected Members to ensure feedback is captured.

Strategic Risk 7 – Failure to Deliver our Work Programmes

45. This risk description is '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.' This risk links to Strategic Risk 2 – Significant negative impact on financial strategy.
46. There is no change to the residual risk rating for this risk – it remains at VERY HIGH.
47. Due to ongoing conflict in the Ukraine and the Covid-19 pandemic, supply chain issues remain, impacting on delivery of our work programmes. Previous commentary has referred to cost escalation impacting on the delivery of our work programmes, which it continues to do. For commentary relating to cost escalation refer SR2 Significant negative impact on financial strategy.
48. Internal resourcing requirements continue to be reviewed as part of each long-term or annual plan process, supply chain insights are routinely obtained through close relationships with the construction industry and ongoing collaboration with the NZ Infrastructure Commission, Construction Accord and the Waikato Branch of Civil Contractors NZ (CCNZ) and provision of pipeline of work opportunities to CCNZ. Development and implementation of a resource management tool measuring availability of project management resources against demand is also underway with a pilot being trialled by the Facilities Unit. So far, this tool has proved useful for planning for future project management needs to enable delivery of both the planned programme and break-in projects.
49. While there is no change to the residual risk rating for this risk, it continues to be closely monitored as our ability to deliver our work programmes continues to be impacted by external factors (such as those mentioned above) and the prospect of receiving additional Central Government funding for greater output.

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

50. This 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.' This risk links to Strategic Risk 1 – Failure to respond to a disaster and Strategic Risk 4 – Loss of information or access to systems.
51. There is no change to the residual risk rating for this risk – it remains at VERY HIGH.

52. A review of our organisational Business Impact Analysis (BIA) is underway by PwC. This is an agreed action from the Business Continuity Management Internal Audit completed in August. The review is due for completion at the end of December 2022. The updated organisational BIA will inform operational-level BIAs as part of our ongoing business continuity management work programme.
53. A draft incident management manual is currently with the Crisis, Emergency and Incident Management Working Group for review and input. The manual – “How we do incident management” provides instructions and information to enable completion and implementation of an incident management plan. It has been written with the user in mind and is relevant to every Hamilton City Council employee, irrespective of their role or location in the organisation or potential role in an incident. We expect to be able to provide a final draft to this Committee in March 2023.

Strategic Risk 9 – Failure to Respond to Climate Change

54. 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.
55. There is no change to the residual risk rating for this risk – it remains at VERY HIGH.
56. Staff are currently developing an **emissions pathway for Hamilton** that includes:
 - a) Emissions impact of key transport projects funded in the 2021-2031 Long-Term Plan
 - b) Relevant initiatives from the Central Government Emissions Reduction Plan and recommendations from the Climate Change Commission.
 - c) Growth assumptions for Hamilton in line with current Council strategies.
57. The first stage will show the current trajectory to 2050 and then through the 2024-2034 Long-Term Plan process new projects for consideration will be assessed and added to the model. This will help staff and Elected Members to understand the potential impact of decisions.
58. We have commissioned technical experts to assist in the calculations needed for the emissions assessment of the Central Government initiatives and our growth assumptions. They have completed this work for other Councils and have technical experts on the modelling that has been completed by Central Government and the Climate Change Commission. This cost is funded through the approved 2022-23 budget for Sustainability and Climate Change.
59. We have commissioned technical experts in **climate change risk assessment** to assist in the delivery of the Council climate change risk assessment. This cost is funded through the approved 2022-23 budget for Sustainability and Climate Change. The consultants appointed were part of the expert panel that developed the guidance on Climate Change Risk Assessment for local government. They have also completed this process for many councils in New Zealand and are able to bring that knowledge as the basis for the assessment.
60. The experts will facilitate workshops with relevant staff from across Council to assess the current, 2050 and 2100 climate change risk to our services and operations. The risk assessment will look at two climate futures - RCP4.5 and RCP8.5. The outcomes of the risk assessment will be incorporated into the 2024-2034 Activity Management Plans.
61. In September 2022, Waikato Regional Council shared the outputs of the first phase of their **climate change risk assessment for the region**. A total of 286 risks were identified, including 231 direct risks and 55 indirect risks. The identified risks are wide-ranging, impacting on livelihoods, health, ecosystems and species, economic, social and cultural assets, services and infrastructure in the Waikato. A summary report on the completion of phase 1 and planning for phase 2, with extracts from the Waikato climate change risk identification workbook, and information about the project, can be found on the Waikato Regional Council’s [website](#).

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

62. 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.'
63. There is no change to the residual risk rating for this risk – it remains at HIGH.
64. The Safety and Wellbeing Team continue to focus their efforts on strategic programmes of work and important initiatives aligned to risks, relationships and resources. Further and more detailed information is provided in the Safety and Wellbeing Report.
65. As we approach Christmas, the New Year, and the holiday period, we are starting to observe operational pressures increase, with many teams and business units starting to show signs of fatigue as we often try to squeeze in as much as we can before breaking for the holiday shutdown period. Consideration should be given to prioritising initiatives and holding back those that can be delayed until the New Year or remove pressure by relaxing due dates if it's not critical.
66. The Safety & Wellbeing Team have noted during this reporting period that there is a much higher level of reporting being recorded within Ora. It is also noted there have been particularly high numbers of security and theft events involving members of the public, particularly in areas like H3 and some of our community facilities, which is being monitored.

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

67. 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.'
68. There is no change to the residual risk rating for this risk – it remains at HIGH.
69. There has been a need in recent months to strengthen safety measures at some of our key visitor destinations. This has been achieved by temporarily deploying some of our City Safe officers to the Zoo and Waterworld for specific occasions or peak days.
70. The City Safe presence has proved successful, with a notably positive effect on visitor experience (through greeting people, providing directions and offering assistance) to provide enhanced safety outcomes.
71. We anticipate there will be an ongoing need to prioritise public and visitor safety at key destinations and facilities and we are considering, subject to availability, using City Safe officers given they deliver the dual benefits of additional safety and security and positive and friendly community engagement.

Organisational Risk 3 – Failure of Critical Assets

72. This risk description is 'Incorrect investment (timing and/or amounts) results in the unexpected **failure of critical assets** (loss of levels of service).'
73. There is no change to the residual risk rating for this risk – it remains at VERY HIGH.
74. Potential environmental impacts to water and negative consequences to Council's reputation from a failure of critical infrastructure assets is ongoing. Staff are currently using asset information (including criticality assessments) to formulate longer term plans and updating of Activity Management Plans to inform the 2024-34 Long-Term Plan. This will help form the proposed renewal and maintenance programmes for infrastructure in the upcoming long-term planning processes.

Emerging Risks

75. There are no new emerging risks this quarter.
76. The following table provides a summary across three different sources and shows our strategic and organisational risks reflect what is happening globally.
77. Over the next quarter and into the next we expect to see extreme weather events (especially the risk of drought) an escalation of Covid-19 (including community transmission and potential Central Government response), attraction and retention of top talent and changes in New Zealand's economic conditions influencing existing strategic and organisational risks.

The Global Risks Report 2022	Global Risk Management Survey 2021	2022 & 2031 Executive Perspectives on Top Risks
Global Risks Horizon (0-2 years) 1. Extreme weather 2. Livelihood crises 3. Climate action failure 4. Social cohesion erosion 5. Infectious diseases 6. Mental health deterioration 7. Cybersecurity failure 8. Debt crises 9. Digital inequality 10. Asset bubble burst	Risk Rankings 1. Cyber attacks/data breach 2. Business interruption 3. Economic slowdown/slow recovery 4. Commodity price risk/scarcity of materials 5. Damage to reputation/brand 6. Regulatory/legislative changes 7. Pandemic risk/health crises 8. Supply chain or distribution failure 9. Increasing competition 10. Failure to innovate/meet customer needs	Top Risks for 2022 1. Pandemic-related government policies and regulation impact business performance 2. Succession challenges, ability to attract and retain top talent 3. Pandemic-related market conditions reduce customer demand 4. Adoption of digital technologies requires new skills or significant efforts to upskill/reskill existing employees 5. Economic conditions, including inflationary pressures, constrain growth opportunities 6. Increasing labour costs impact profitability targets 7. Resistance to change operations and the business model 8. Inability to utilise data analytics and "big data" to achieve market intelligence and increase productivity and efficiency 9. Cyber threats 10. Shifts in expectations about social issues and diversity, equity and inclusion outpace organisation's response
Source: World Economic Forum	Source: Aon	Source: Partnership between Protiviti and NC State University's ERM Initiative

Options

78. The Committee has the option to make recommendations to the Council and/or Chief Executive on the matters outlined in this report.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

80. Staff confirm that this Risk Management Report complies with Council's legal and policy requirements.
81. 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*

82. 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').
83. 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.
84. The recommendations set out in this report are consistent with that purpose.

Social

85. 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

86. 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 with the continued active resurgence of Covid-19. Council's management of the risks and opportunities in this report continues to reflect the impact on economic wellbeing.

Environmental

87. 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

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

Risks - *Tuuraru*

89. The Strategic & Organisational Risk Register (**Attachment 1**) identifies the risks discussed in this report.

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

Significance

90. 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.

Engagement

91. Community views and preferences are already known to the Council.
92. Given the medium level of significance determined, the engagement level is medium. No engagement is required.

Attachments - *Ngaa taapirihanga*





Attachment 1 – Risk Register

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 2-3 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 risk causes and existing controls and treatment plan updates, for each strategic and organisational risk.




A residual risk rating is applied to each risk following assessment of each risk category using the following likelihood and consequence matrix:

		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

Summary – Strategic Risks

Strategic Risk Name	Risk Description	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 Loss of information or access to systems and SR8 Failure to respond to a crisis or emergency.	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 Failure to deliver our work programmes.	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 Political changes negatively impact on strategic direction.	David Bryant	High 
SR4 Loss of information or access to systems	Unauthorised access to Council's IT infrastructure (e.g., cyber-attack, IT service / asset failure) results in a loss of Council's information or access to systems impacting on service continuity with ongoing reputational, legal, and financial consequences. Links to SR1 Failure to respond to a disaster and SR8 Failure to respond to a crisis or emergency.	Murray Heke	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.	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 Failure to meet compliance standards.	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 Significant negative impact on financial strategy.	Chris Allen	Very High 
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.	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.	Sean Hickey	Very High 

Summary – Organisational Risks

Organisational Risk Name	Risk Description	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 (inc. contracted or volunteer workers) resulting in a serious injury incident or fatality and increased exposure to litigation.	David Bryant	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.	Helen Paki	High 
OR3 Failure of critical assets	Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Eeva-Liisa Wright	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
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Risk Cause

1. Natural disaster event without warning or build up
2. Severe weather events that increase in intensity, including those events that are a result of climate change
3. Critical asset failure that impacts the safety of Hamiltonians water, energy, telecommunications, financial, transportation
4. Disaster caused by failure of human-made structures
5. Pandemics

Inherent Risk Rating	4 - Very High - Possible x Catastrophic
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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. Asset and service monitoring capability
9. Council has established an Incident Management Team
10. Criticality assessments and asset identification ratings
11. Engineering standards identified and managed
12. Activity Management Plans (AMPs)
13. Availability of technical expertise
14. Infrastructure Strategy
15. Regional and national emergency services relationship management

Residual Risk Rating	4 - Very High - Possible x Major
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Action Owner	Kelvin Powell Helen Schlegel	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Implementation of 21/22 CDEM workplan deliverables ahead of next external Capability Assessment by December 2022	<p>June 2022 Required Tier 2 Regional Exercise (Exercise Tahī) held on 17 May based on a significant weather event and flooding in the city; CDEM training has recommenced.</p> <p>September 2022 Exercise Tahī completed but reduced to 1/2 day; 20 HCC staff took part; Exercise evaluation due shortly and will help inform our future workplan and training focus; new workplan will have greater focus on resilience building in our vulnerable communities. Capability Assessment reconfirmed for later half of 2022, awaiting confirmation of dates.</p>	<p>December 2022 Capability Assessment booked for end of November 2022. Recommendations for further improvement arising from the capability assessment will be incorporated into our CDEM yearly workplan. This will be captured as a new Treatment Plan for Strategic Risk 1.</p>

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 Cause

1. Global financial or pandemic crisis
2. Rapid increases in inflation, **finance sector credit contraction, interest rates, oil prices, or a rapid decline in NZD leading to significantly higher construction input costs, debt costs, and significant pressure on household rates affordability
3. Critical infrastructure failure
4. Major construction industry failure
5. Major government policy changes negatively impact Council's income streams or cost base
6. Natural or manmade disaster (including deliberate attacks on critical infrastructure or pandemic) has an impact on the economy (e.g. affects national imports/exports, which has a flow on effect)
7. **Recession (two successive quarters of negative GDP growth)**

Inherent Risk Rating 4 - Very High - Likely x Major

Existing Controls

1. PwC, as Council's treasury partner
2. Six weekly financial forecasting and planning cycles
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. Availability for options to respond to a shock

Residual Risk Rating 2 - Medium - Unlikely x Serious

Action Owner Greg Carstens
Tracey Musty
Virginie Maene

Mitigation Accept

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	Environmental Political Strategic
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Risk Cause

1. Central government changes the regulatory standards for compliance: including resource management, environmental (including climate change and pollutant management), corporate (including health and safety, human resources and financial), growth, consultation requirements, health and infrastructural (including traffic and transport) compliance. This might also include changes to the required frequency of Council actions (such as the 10 Year Plan). This also includes wide-ranging regulatory changes in response to an incident such as a pandemic or natural disaster
2. Continued or serious breaches leading to increased compliance requirements and regulation
3. Community service-level expectations in management of water quality, recycling, climate change and other services not being met
4. Failure to plan long term for consenting requirements (both as a regulator and a regulated entity)
5. Regional Council changes its policies to ensure legislative compliance (e.g. Healthy Rivers policy)
6. External audit identifying major non-compliance within HCC operations (e.g. by IANZ)
7. Legal challenge to HCC policy or practice resulting in findings of non-compliant practices
8. Change in stakeholder partner expectations for environmental performance
9. Changes to our own District Plan impacting other parts of the business (e.g. changes to resource consents affect consented Three Waters activities)
10. Increased cost of compliance
11. Compliance standards at odds with each other

Inherent Risk Rating 4 - Very High - Possible x Major

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 Lexis Nexis 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 3 - High - Possible x Serious

Action Owner	Anna Hildyard Mish Hawthorne	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Legislative Compliance - Implement organisational monitoring and reporting by May 2023	September 2022 New Treatment Plan. Using Shield to manage and monitor compliance with legislation across the organisation.	December 2022 No update - ongoing treatment plan

Develop additional Compliance Training modules by August 2023	(New Treatment Plan)	December 2022 Similar to Privacy training on line modules, the legal team will look at training on a regular basis and developing on line learning modules for a range of 'core' competencies - LGOIMA, Protected Disclosures, Conflict of Interest, Fraud, bribery and corruption, insurance (in conjunction with the insurance team) as well as adhoc training on issues as they arise.
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Strategic Risk 4

SR4 Loss of information or access to systems

Unauthorised access to Council's IT infrastructure (e.g., cyber-attack, IT service / asset failure) results in a loss of Council's information or access to systems impacting on service continuity with ongoing reputational, legal, and financial consequences. Links to SR1 Failure to respond to a disaster and SR8 Failure to respond to a crisis or emergency.

Risk Owner	Murray Heke	Category	Disaster Recovery/Business Continuity Technology
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Risk Cause

1. IT/OT technology advances – positive and negative
2. Inadequate identification of IT security threats, trends, themes, detection and responses
3. Poor IT/OT Security awareness / culture / behaviours
4. Poor IT/OT security operational practices
5. Release and change management processes lacking a security focus – not “secure by design”
6. Privacy Breach
7. Poor asset and service lifecycle management leading to asset and service failure
8. Inadequate architecture
9. A supplier being breached
10. Inadequate competency at organisational level
11. Specific targeting and malicious exploitation of security vulnerabilities across Council IT asset infrastructure, or Operational Technology
12. International trends and attacks not being considered in NZ
13. Malicious activity (e.g. cyber attack, phishing etc.) targeting central and local government entities.
14. Inadequate access control to key systems
15. Zero-day attacks

Inherent Risk Rating	4 - Very High - Possible x Catastrophic
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Existing Controls

1. Access to Hamilton City Council services are managed effectively
2. Business continuity and disaster recovery (BCDR) processes
3. Contractual service level agreements are monitored and maintained
4. Council has established an Incident Management Team
5. Cyber recovery planning processes
6. Data is backed up and available
7. External and internal security audit and reviews
8. Information and assets have implemented processes and controls
9. National and international cyber-attack trends are monitored
10. National Cyber Security Centre (NCSC) monitoring and trend analysis
11. NZ National Cyber Security Centre (NCSC)
12. Ongoing Cyber awareness education
13. Physical environments have physical and technology safeguards
14. Policies, Standards and Enablers are documented
15. Response plans processes are in place and tested
16. Reviews on Council's IT technology environment
17. Risk based approach - Three lines of defence
18. Risk management frameworks, methods and tools are fit for purpose
19. Security Governance and Risk Management practices implemented
20. Systems and information are secured by design
21. Technical support from key vendors - Microsoft and Fujitsu
22. Timely and accurate reporting
23. Tools, systems and resources
24. Vulnerability and anomaly detection tools

Residual Risk Rating	3 - High - Unlikely x Major
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Action Owner	Karl Bout Liz Pearson	Mitigation	Mitigate
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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 Service Delivery Strategic
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Risk Cause

1. Wider economic downturn
2. Significant change in the market – either demand or supply side, due to e.g. construction cost inflation and restrictions on credit
3. Population growth rates change (either natural change or through internal or international migration rates)
4. Changes in growth projections as a result of climate change impacts on population spread in New Zealand and overseas
5. Inadequate skills, data or modelling and scenario planning
6. Council's decisions that impact desired growth outcomes e.g. growth opened on too many fronts, lack of funding for desired levels of outcome etc
7. Changes in Government Policy or legislation impact on desired growth outcomes or our ability to effectively respond to growth
8. Central Government funding and financing initiatives such as Housing Infrastructure Fund, Infrastructure Funding (IFF) and Financing and the Infrastructure Acceleration Fund (IAF)
9. Inadequate provisions in of application of the District Plan to deliver positive outcomes for people / environment
10. Neighbouring councils make growth decisions around Hamilton's border that are not aligned with Hamilton's desired growth strategy
11. Requests from developers for unplanned, out of boundary and/or out of sequence developments
12. Groups within Council planning and budgeting for growth separately versus in a joined-up way
13. Significant change in public perception of growth or growth outcomes
14. Tougher environmental standards (links to SR3) placing constraints on growth to the extent it makes it unaffordable

Inherent Risk Rating 4 - Very High - Possible x Major

Existing Controls

1. Numerous strategies and plans in place to manage growth outcomes
2. Future Proof Partnership and work programmes
3. Engagement with Central Government
4. Engagement with neighbouring Councils on strategic growth planning
5. Whole of Council Programme/spatial approach to new growth areas.
6. Preparation of growth programme business cases
7. Growth Programmes team
8. Strategic Development Forum
9. Communications and engagement strategies for Growth
10. National Policy Statement Urban Development
11. Changes to District Plan (plan changes) where required
12. Zoning Decision Process
13. Submissions on any neighbouring councils plan changes.
14. Management of Resource Consent applications
15. Draft out of Boundary Principles developed
16. Private Developer Agreements
17. Monitoring the broader environment
18. HCC Growth and Development Contributions model

Residual Risk Rating 3 - High - Possible x Serious

Action Owner	Karen Saunders Greg Carstens	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Deliver revised Hamilton Urban Growth Strategy, by early 2023	<p>June 2022 HUGS is being drafted following completion of technical analysis, stakeholder engagement and alignment with other key growth projects and strategy reviews under way. The draft strategy will be presented to the Strategic Growth Committee on 26 July 2022 for approval to go out for consultation.</p> <p>September 2022 HUGS outcomes approved by Strategic Growth Committee on 26 July 2022. Designed document to HUGS reference group 15 August 2022. Consultation is planned to commence late Oct/Nov 2022.</p>	<p>December 2022 Final draft of HUGS adopted and approved for consultation from 18 October to 20 November 2022. Submissions hearings planned for 5 December 2022, with final strategy to be adopted at the Strategic Growth & District Plan Committee in early 2023.</p>
Progress and notify District Plan Change Programme in response to Government Direction from NPS-UD and RMA Bill, by August 2022	<p>June 2022 Further to the March 2022 update, Council staff are progressing with draft district plan change provisions to give effect to the new Act. Endorsement of the planning approach, in response to the Act, has been received from elected members through the District Plan Committee on the 10th March 2022 and the 3rd May 2022. The reports to this Committee on 10th March and associated resolutions were also supported by full Council on the 17th March 2022. Staff have held a number of briefing sessions with elected members since early March. Staff are on track to notify Plan Change 12 by the 20th August 2022 in accordance with the Act. Plan Change 9 is on track to be notified a month prior to this.</p> <p>September 2022 Plan change 12 has been recommended by the DP committee for Council approval to publicly notify on the 19th August 2022. Subject to Council approval on the 18th August Plan Change 12 will be publicly notified the following day.</p>	<p>December 2022 Plan change 12 has been notified, submissions received and is due to open for further submissions on 28th Nov. Hearings are due to commence 14th Feb 2023. This treatment plan is now complete. A new treatment plan will be added next quarter to capture the next steps.</p>
Actively participate and contribute to the Future Proof Priority Development Areas workstream to identify and progress opportunities to enable development at pace and scale in these areas, by Dec 2022	<p>June 2022 PDA Trackers were presented to FPIC in April 2022 and received positive feedback. There was recognition and understanding of the major barriers and issues and actions required to resolve them. The team are meeting in person for the first time in over 12 months and a site visit was planned with major developers at Rotokauri in May 2022.</p> <p>September 2022 Future Proof Strategy was adopted in June 2022. Work underway to develop the Future Development Strategy for the sub-region. PDA Trackers to be presented to Future Proof Implementation Committee early September 2022. Focus priority development areas have</p>	<p>December 2022 Future Proof Priority Development Areas Working Group undertook a deep dive on Ruakura and Central City areas identifying actions that will support removal of barriers for achieving outcomes for the future communities in these areas. The successful Infrastructure Acceleration Fund grant is a big enabler development and getting more people to live and work the central city. The next round of Future Proof Trackers are due to FPIC in March 2023.</p>

	been reduced to 5 areas (from 8) to allow for more focussed actions to occur.	
Growth modelling environment improvements	<p>June 2022 Progressively updating and enhancements to growth modelling environment to service district plan evidence, infrastructure modelling and ultimately deliver the 2024 HBA.</p> <p>September 2022 There are four enhancements in this programme of work. Two are completed (update Machine learning algorithm - Cellular Automata; upgrade growth model UI) and two are underway (feasibility model; presentation layer upgrade). Both are on track and all on budget.</p>	<p>December 2022 No update from September</p>
Actively respond to opportunities to secure growth funding to enable growth (e.g. IAF, IFF)	<p>September 2022 New Treatment Plan. Central City IAF application discussions with Kaainga ora and developers have been occurring through July/August. The request by Kaainga ora in August 2022 for substantial additional funding from Council places the success of the bid in question. Staff are seeking direction from Elected at the Council meeting on 18 August 2022</p>	<p>December 2022 On 17 November, Minister of Housing Hon Dr Megan Woods announced Hamilton City Council will receive a \$150.6 million grant to fund infrastructure to support new housing in the central city. The grant will fund a new water reservoir and pump station, pedestrian and cycling bridge, and investigations into other strategic three waters and transport infrastructure. This will enable up to 4000 homes in the central city and surrounds between now and 2034.</p>

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 direction 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
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Risk Cause

1. Political changes including central government strategic direction and legislative changes creates risk or opportunities
2. Local political changes, including potential misunderstanding of Council's intent
3. Political personalities, trust and relationships and change of key personnel – positive & negative
4. Failure to manage stakeholder relationships, communication and engagement tactics, including due to a lack of resource or need to balance priorities
5. Short term focus overshadows long term cost benefit outcomes
6. Political sovereignty/patch protection, lack of alignment or willingness to compromise ie boundaryless approach vs localism
7. Financial strategy misaligned with wider context
8. International events, trends or decisions influence NZ
9. Major projects or initiatives for the benefit of Hamilton accelerating or slowing down
10. Relationships with neighbouring territorial authorities are ineffective or adversarial due to differences of opinion or priorities

Note Political risk is essentially the probability that a political action/decision will significantly affect Council's strategic direction - whether positively or negatively.*

Inherent Risk Rating 4 - Very High - Likely x Major

Existing Controls

1. Collaborative governance group meetings
2. Culture, expectation and policies of HCC organisation
3. Establishment of a reform programme within council
4. Monthly SLT discussion to ensure awareness of strategic initiatives
5. Participation in national and regional advisory groups
6. Participation in processes to influence government policy direction
7. Proactive steps taken at the start of each local government triennium
8. Regular Council briefings
9. Regular engagement with stakeholders at political and executive level
10. Regular meetings with Government Ministers and MPs

Residual Risk Rating 4 - Very High - Likely x Major

Action Owner	Hannah Windle Michelle Hawthorne Nicky Swan	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Establish an internal programme to address all legislative change/reform that will affect local government – including 3 waters, RMA and Future for Local Government	June 2022 Internal cross-council reform programme team continues to meet to investigate the impacts of the three large pieces of central government reform that will impact the form and function of local government. These include the 3 Waters reform, RMA reform and Future for Local Government Review. Staff are participating in national, regional and sub-regional collaborative	December 2022 The reform team is focussing on responding and providing feedback to the latest Future for Local Government Report and drafting submissions on the Spatial Planning Bill and Natural and Built Environments Bill. The submission period for this is likely

opportunities to influence the direction of reform programme. Cross-council team are working to determine potential impacts on HCC (and the local government sector as a whole). A number of groups are establishing similar work programmes – Waikato Plan, UNISA, LASS, Mayoral Forum and other councils – we are participating in these. Group actively making submissions and providing feedback on early policy direction.

September 2022

The internal cross-council reform team continues to meet to investigate the impacts of the ongoing suite of central government reform that will impact the form and function of local government. Staff facilitated a session with elected members and senior staff from the Ministry for the Environment to discuss the impacts of Resource Management Reform in August 2022 where councillors provided feedback. It is likely that new RM legislation will be released in mid-October which is soon after local government elections. Council staff have reached out to LGNZ to highlight to central government the risks of this timing, and the ability for new councils to provide detailed and quality submissions at the same time that new councillors are being inducted.

to be short and coincides with the holiday period. With a number of new elected members, this makes it challenging to develop a comprehensive response whilst at the same time upskilling new councillors on the background, current system and proposed changes. This treatment plan is now complete. A new treatment plan will be added next quarter to capture the programme's work.

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	Chris Allen	Category	Financial People Service Delivery
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Risk Cause

1. Major construction sector skills/labour shortage - capacity and capability
2. Political changes in the labour market (e.g. immigration policy changes)
3. Regional or national investment decisions leading to increased demand for construction resources and market congestion – i.e. significant increase in capital portfolios nationally
4. Supply chain company failures
5. Supply chain investment confidence - i.e. forward work confidence to invest in people, plant and technology
6. Key construction material shortages or delays - particularly pipes, bitumen, oil, steel, aggregate and concrete
7. COVID-19 absenteeism
8. Supply chain breakdown
9. Increased work programmes driven by additional funding (i.e. central government investment)
10. Third-party dependencies (utility companies, Waka Kotahi, developers)

Inherent Risk Rating	5 - Extreme - Almost Certain x Catastrophic
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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

Residual Risk Rating	4 – Very High – Almost Certain x Serious
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Action Owner	Sarah Seel Alexis Chavez Anita Oliver Kelly Stokes	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Optimise procurement processes and contracts to enable HCC to be a construction industry client of choice.	<p>June 2022 The Delivery review is looking to match procurement models to programmes of work that pose delivery challenges examples being transport improvements and any additional funding likely to be received by government through the Infrastructure Acceleration Fund.</p> <p>September 2022 No update.</p>	<p>December 2022 Work is underway on the review of the Financial Delegations Policy. Training and upskilling of Project Management staff in procurement processes.</p>

Develop and implement a resource management tool measuring assessing availability of resources against demand for project management	September 2022 New Treatment Plan. Tool is in development and a pilot is being trialled by the Facilities Unit.	December 2022 Pipeline of the projects are being measured against the project management resources available. This initiative has been successful to date. This treatment plan is now considered closed and has been added as a control to this risk.
Portfolio Governance Structures fully implemented		December 2022 P3M3 audit was carried out earlier this year. Portfolio Governance Group for community and infrastructure are in place. Programme Steering Group meetings and reports are under review. Project Control Groups set up for all major and complex projects.

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	Environmental People Service Delivery
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Risk Cause

1. Large scale physical attack on people in public places (e.g. a terrorist attack)
2. Physical attack on city critical infrastructure, e.g. Waste Water Treatment Plant, Water Treatment Plant, reservoirs designed to compromise integrity of service
3. Civil unrest – political or social unrest resulting in a security or safety threat to people or assets
4. Chemical or biochemical attack, contamination or similar event
5. Fire or water damage within our premises or working environments
6. Significant shortage of key staff in one or more areas
7. Death or injury to staff, residents or customers
8. Disruption to supply chains
9. Denial of access to our facilities (e.g. a bomb threat)
10. Power or water outages
11. Natural or man-made hazards including those requiring us to evacuate staff from our facilities
12. Pandemics

Inherent Risk Rating 4 - Very High - Possible x Catastrophic

Existing Controls

1. Business Continuity Management Policy and plans
2. Business continuity and disaster recovery (BCDR) processes
3. Council has established an Incident Management Team
4. Security Risk Assessments

Residual Risk Rating 4 - Very High - Possible x Catastrophic

Action Owner	Julie Ambury	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Facilitate BCM Internal Audit	September 2022 New Treatment Plan. Findings were delivered to ELT 22 August and will be delivered to the SRAC on 13 September.	December 2022 Findings were delivered to the SRAC Meeting on 13 September. Agreed actions have been added to the Continuous Improvement Register and added as new Treatment Plans for this risk. This treatment plan is now complete.
Adopt and implement accepted recommendations from SRAs by 31 March 2023	June 2022 Enterprise Risk Lead started in May. Will review SRA recommendations and status of actions and update in September. September 2022 Community Group continue to prioritise and deliver recommendations identified in the SRA. SRA review programmed for Q2 to update in December.	December 2022 Community Group continue to prioritise and deliver recommendations identified in their SRAs. SRA review pushed out to Q1 CY2023.

Review of Organisational Security Risk Assessment (OSRA) by 31 March 2023	<p>June 2022 Enterprise Risk Lead started in May. They will pick this up again and move it forward.</p> <p>September 2022 Programmed for Q2 to update in December.</p>	<p>December 2022 Pushed out to Q1 CY2023.</p>
Review enterprise-level BIA to guide operational-level BIA alignment by 23 December 2022		<p>December 2022 New Treatment Plan. Agreed action to address findings from BCM Internal Audit.</p>
Develop and deliver Crisis, Emergency & Incident Management guidelines and procedures by 23 December 2022	<p>September 2022 New Treatment Plan. External consultant has been engaged to develop and deliver guidelines and procedures. Kick-off meeting was held 26 July and first working group workshop 22 August. ELT also updated 22 August.</p>	<p>December 2022 Second workshop held on 13 October with a focus on incident management in order to deliver an output (draft incident management guidelines) by end December.</p>
Develop a Resilience Management Policy by 31 March 2023		<p>December 2022 New Treatment Plan. Agreed action to address findings from BCM Internal Audit.</p>
Refresh the BCP template by 31 March 2023		<p>December 2022 New Treatment Plan. Agreed action to address findings from BCM Internal Audit.</p>
Establish resilience working and governance groups by 30 June 2023		<p>December 2022 New Treatment Plan. Agreed action to address findings from BCM Internal Audit.</p>
Align operational-level BIA with enterprise-level BIA as part of routine BCM reviews and updates by 31 July 2023		<p>December 2022 New Treatment Plan. Agreed action to address findings from BCM Internal Audit.</p>
Develop and implement a resilience training and testing programme by 28 June 2024		<p>December 2022 New Treatment Plan. Agreed action to address findings from BCM Internal Audit.</p>

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	Sean Hickey	Category	Climate Change
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Risk Cause

1. Council's strategies and plans do not adequately consider appropriate climate change scenarios
2. Changes in political direction (including local, regional and national) on climate change
3. Economic, social and technological shocks resulting from the transition to a lower-carbon economy
4. Uncertainty in the climate modelling on the physical climate change and transition impacts for Hamilton, making it hard to estimate impacts on particular Council activities
5. Misalignment between Council's climate change strategies and operational activities
6. Failure to consider climate change appropriately in fit for purpose activity management
7. Failure to appropriately consider climate change in growth decisions.

Inherent Risk Rating 4 - 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. Next steps for our climate future - our plan 2022/23
6. Council has responsibility for climate change response

Residual Risk Rating 4 - Very High - Likely x Major

Action Owner	Julie Clausen Charlotte Catmur Paula Gardner	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Climate Change Policy tools and guidance developed by March 2023	September 2022 Assessing tool options and started developing the guidance for policy implementation.	December 2022 A contractor appointed to develop the guidance and update all relevant templates and processes. Draft guidance has been prepared and will be ready to roll out in early 2023.
Undertake a Risk assessment for Hamilton City Council including both the physical climate change and transition risks following the Ministry for the Environment Guidance by June 2023	June 2022 No update. September 2022 Discussion with Waikato Regional Council on alignment with the regional risk assessment.	December 2022 Council climate change risk assessment commissioned. Risk identification stage underway. Waikato Regional Council phase 1 risk identification completed, 286 risks were identified. These are helping to inform our risk identification process.
Establish an understanding of emission reduction pathway for the city by June 2023	September 2022 Project planning underway and discussions commenced with consultants	December 2022 Consultants have been appointed. Work to understand the current emissions reduction actions in the 2021-22 Long Term Plan and the impact of the Emissions Reduction Plan actions in Hamilton has commenced.

Organisational Risk 1

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 (inc. contracted or volunteer workers) resulting in a serious injury incident or fatality and increased exposure to litigation.

Risk Owner	David Bryant	Category	People
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Risk Cause

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

Inherent Risk Rating	5 - Extreme - Likely x Catastrophic
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Existing Controls

1. (SMS) is being updated to better achieve our safety objectives
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	3 - High - Rare x Catastrophic
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Action Owner	Marie Snowball Dan Finn	Mitigation	Mitigate
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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
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Risk Cause

1. Poor HCC understanding of the health and safety risks within the facilities and services provided and managed by Council
2. Failures in safety-in-design planning for our amenities and services provided to the community
3. Failures in asset maintenance
4. Failure in due diligence on assets purchased for use by the community or staff
5. Failure in due diligence on maintenance
6. Human error / inappropriate behaviours / criminal behaviour or damage at Council assets
7. Complacency leading to greater risks being taken by the community on public safety issues
8. Failure to properly engage with and listen to the community
9. Failure to act on staff and public information or lessons learned from near misses and incidents (including lessons from other industry experiences)
10. Internal BCP and Pandemic Plans are not adhered to
11. Failure to consider climate change impacts on the community safety and wellbeing

Inherent Risk Rating	5 - Extreme - Likely x Catastrophic
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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. Covid-19 Protocols for Community Facilities and Public Engagement
14. Mechanism for public to report issues that require action to us

Residual Risk Rating	3 - High - Unlikely x Major
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Action Owner	Jo Keall Helen Schlegel Donna Burt	Mitigation	Mitigate
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Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Design and implement an appropriate monitoring and reporting framework for risks relevant to OR2	<p>June 2022 Security Risk Audit (SRA) dashboard and monitoring report will be presented to CLT in June 2022.</p> <p>September 2022 SRA dashboard and monitoring report presented to CLT and now in use. Further enhancements</p>	<p>December 2022 The SRA dashboard and other reporting measures are being used and continue to be refined.</p>

	required. Consider closing this Treatment Plan once enhancements are made and adding as a Control.	
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Organisational Risk 3

OR3 - Failure of critical assets

Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).

Risk Owner	Eeva-Liisa Wright	Category	Compliance and Regulatory Environmental Financial Reputation Service Delivery
Risk Cause			
<div>1. Failure to identify all critical assets</div> <div>2. Failure to accurately forecast capacity limits or inaccurate demand forecasting on critical assets</div> <div>3. Failure to accurately forecast useful life on critical assets</div> <div>4. Failure to future proof asset to allow for pending changes in requirements</div> <div>5. Failure to procure/renew the asset with an appropriate replacement</div> <div>6. Failure to install asset correctly (including poor procurement processes to begin with)</div> <div>7. Assets being operated outside of design scope or change in demand or that the operation of the asset exceeds design assumptions.</div> <div>8. Failure to carry out and prioritise planned maintenance and renewal of critical asset</div> <div>9. Failure to deliver renewal of the asset within scheduled timeframe</div> <div>10. Inadequate budget allocated for maintenance and renewal of critical assets</div> <div>11. Incorrect analysis in development of maintenance and renewal requirements</div> <div>12. Insufficient resources to deliver renewal of assets on time and within allocated budgets</div> <div>13. Failure to adequately consider climate change in critical asset investment</div> <div>14. Insufficient skilled, knowledgeable and experienced staff and low investment in the ongoing building of staff capability to ensure critical assets remain functional, resilient and levels of service remain</div> <div>15. Misalignment in the timing of investment with the required levels of service or that key deliverable dates not identified appropriately</div> <div>16. Poor or incomplete asset data</div> <div>17. Stakeholder specifications and expectation of asset increase making the asset no-longer fit for purpose</div> <div>18. Critical manufacture service agents unavailable to resolve major failure of critical assets</div> <div>19. Critical resources unavailable due to supply chain shortages</div> <div>20. Utility service and third-party critical impacts (stakeholder relationships)</div> <div>21. Limited anomaly detection capability and poor identification of vulnerabilities</div> <div>22. Failure to identify threat actors who wish to exploit technology vulnerabilities</div>			
Inherent Risk Rating	4 - Very High - Likely x Major		
Existing Controls			
<div>1. Asset Management. 3 yearly Independent asset management maturity</div> <div>2. Asset Management. Regular monitoring and submission on industry change</div> <div>3. Asset Management. Resourcing for Activity Management Plan (AMP) funded</div> <div>4. Asset Management. Infrastructure Strategy is in place.</div> <div>5. Asset Management. Modelling and master planning of strategic assets</div> <div>6. Asset Management. Plan policy in place to set standards</div> <div>7. Asset Management.3 yearly Activity Management Plans int. ext. reviewed</div> <div>8. Asset Management. Asset Strategy Team in place to drive org consistency</div> <div>9. Asset Management. Manage, monitor, operate and maintain critical assets</div> <div>10. Operational: Processes in place Re: supervision design and test</div> <div>11. Operational: Quarterly Threat and Risk assessments</div> <div>12. Operational: Training and development plans in place for staff</div> <div>13. Operational - Business Continuity and Essential Maintenance Plans</div> <div>14. Planning: Annual review of build/Facilities capital programme</div> <div>15. Planning: Anomaly detection and vulnerability scanning capability</div> <div>16. Planning: Solutions for redundancy (physical and process) in place</div> <div>17. Planning: Project management and procurement processes are in place</div> <div>18. Planning: Staff have project management skills and experience</div> <div>19. Procurement: Robust procurement process followed to identify/scope</div>			

20. Procurement. Maintenance and service agreements in place with the supplier
21. Procurement. Speciality contracts in place to maintain critical assets
22. Procurement. Stakeholder engaged before procure/replacement of asset

Residual Risk Rating 4 - Very High - Possible x Major

Action Owner

Anita Oliver
Paul Gower
Tania Hermann
Jo Keall
Claire Toko
Maria Tipene

Mitigation

Mitigate

Treatment Plans

Treatment Plan	Previous Update	Update - December 2022
Implement the Organisational Asset Management Improvement Plan	<p>June 2022 The Organisational Asset Management Improvement was adopted by ELT in October 2021 and contains 31 organisational improvements to be undertaken. Three actions are completed, 16 are in progress. The Plan has a horizon out to June 2024. The improvements have been organised into 4 streams of work with one of the streams relating to Resilience and Criticality. Of the six tasks relating to Resilience and Criticality, three are currently in progress.</p> <p>September 2022 The Organisational Asset Management Improvement was adopted by ELT in October 2021 and contains 32 organisational improvements to be undertaken. Three actions are completed, 16 are in progress. The Plan has a horizon out to June 2024. The improvements have been organised into 4 streams of work with one of the streams relating to Resilience and Criticality. Of the 6 tasks relating to Resilience and Criticality, 2 are currently in progress.</p>	<p>December 2022 The Organisational Asset Management Improvement was adopted by ELT in October 2021 and contains 32 organisational improvements to be undertaken. Eight actions are completed, 17 others are in progress. The Plan has a horizon out to June 2024. The improvements have been organised into 4 streams of work with one of the streams relating to Resilience and Criticality. Of the 6 tasks relating to Resilience and Criticality, 3 are currently in progress.</p>

Council Report

Committee: Strategic Risk and Assurance Committee

Date: 14 December 2022

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager People and Organisational Performance

Report Name: PwC - Internal Audit Update and Report

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee (SRAC) on internal audit progress to 24 November 2022

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Executive Summary - *Whakaraapopototanga matua*

3. Council's internal audit function incorporates engagements and actions from PricewaterhouseCoopers (PwC) and Council's internal programme.
4. This report provides an update on progress by PwC on the internal audit work stream.
5. Since the last report to this committee, there are three updates to note relating to:
 - i. Strategic Property engagement has been completed and the final report is attached.
 - ii. Vendor Analytics fieldwork is almost complete and Council staff are investigating the results. The final report will be reported at the March 2023 SRAC meeting.
 - iii. Planning for the Legal & Compliance framework engagement has commenced.
6. Staff consider that the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion – *Matapaki*

7. PwC Internal Audit Plan – progress summary 2022/23

Engagements Completed	Status
Business Continuity Planning	
Strategic Property – due December 2022 This engagement has been completed and the final report is attached.	

Engagements in Progress	Status
Vendor Analytics – due December 2022 The fieldwork is almost complete	
Legal & Compliance framework – due March 2023 This engagement is yet to commence.	
Resource Consents – due June 2023 This engagement is yet to commence.	
Three Waters – due June 2023 This engagement is yet to commence.	

KEY

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

8. HCC internal audit engagements – progress summary

Engagements in Progress – 2022/23	Status
Contracts – Health & Safety Audits – due September 2022 This engagement has been completed.	
Contract KPIs – due September 2022 This engagement has been completed.	
Vendor Analytics – due December 2022 Refer above.	
Payroll Processes – due March 2023 This engagement is yet to commence. This will depend on the timing of the implementation of the new HR and payroll system.	

Vendor Analytics internal audit update

9. The analytic procedures being performed are a mix of 31 master data, fraud, and insight analytics. Some highlights from the work completed to date are:
 - i. Initial results have identified some areas for improvement with master data but note that these are at a lower volume than we commonly see when we run these procedures for other organisations.
 - ii. Analysis of GST shows that 99% of GST on invoices is either at 15% or zero-rated.
 - iii. There were no inconsistencies between vendors named on the invoice and those being paid.
 - iv. One potential conflict of interest situation was identified. Further investigation has confirmed that this was identified and disclosed when the person joined the Council.
10. Investigations by Council into the potential anomalies identified in our other procedures are continuing. There is nothing identified that the committee should be aware of at this stage.

Financial Considerations - *Whaiwhakaaro Puutea*

11. The cost of PwC annual internal audit programme is \$150,000 (GST excl.) and is a regular operating activity funded through the Annual Plan.

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

12. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.
13. 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*

14. 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').
15. 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.
16. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

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

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 - Final Strategic Property Report



11 November 2022

Hamilton City Council

Strategic Property Unit
Internal Audit – Final report – SRAC version



Strictly confidential

Blair Bowcott
GM Growth
Hamilton City Council
PO Box 3010
Hamilton

11 November 2022

Strategic Property Unit internal audit

Dear Blair

In accordance with our Terms of Reference dated 8 September 2022, and the terms and conditions in our Contract for the provision of internal audit services dated 1 July 2017, we are pleased to provide our observations and recommendations for the internal audit of Strategic Property Unit management and processes.

We would like to extend our appreciation to management for the assistance provided with this engagement.

Yours faithfully



Matthew White
Partner
PricewaterhouseCoopers
Hamilton, New Zealand

Item 9

Attachment 1

Contents

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3. Appendices	14



Users of this deliverable

This report is intended solely for the use of Hamilton City Council. The Executive Sponsor for this engagement is Blair Bowcott (GM Growth).



Private and Confidential

This deliverable is provided solely for Hamilton City Council for the purpose for which the services are provided. Unless required by law you shall not provide this deliverable to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our deliverable is disclosed or otherwise made available. No copy, extract or quote from our deliverable may be made available to any other person without our prior written consent to the form and content of the disclosure.



Inherent Limitations

We have performed our engagement in accordance with relevant ethical requirements of the Code of Ethics issued by the New Zealand Institute of Chartered Accountants, and appropriate quality control standards. This engagement does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

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Executive Summary

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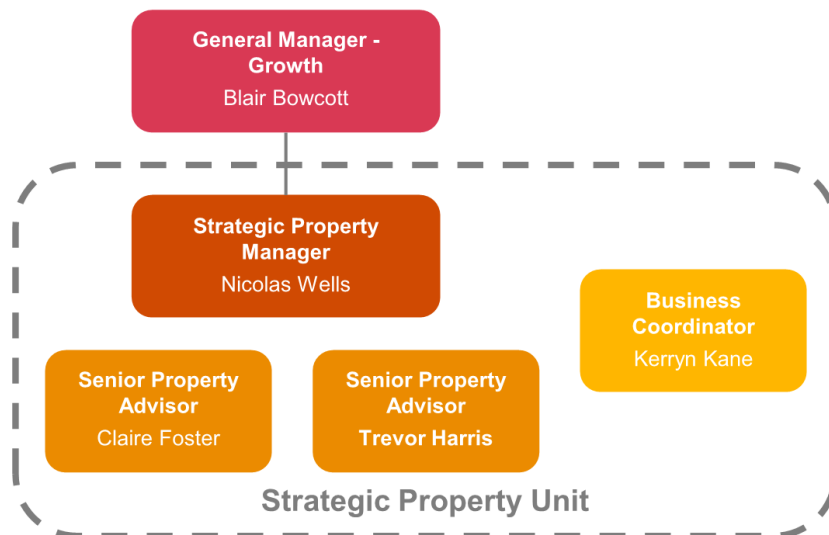
Introduction

The Strategic Property Unit (**SPU**) sits within the Growth Group at Hamilton City Council. In an internal 2022 memo titled 'Internal Stakeholder Engagement Plan', the SPU's 'broad core functions' are identified as:

1. Facilitation of the Municipal Endowment Fund (**MEF**),
2. Maintenance of Council's commercial leasing portfolio,
3. Provision of internal advice (as an internal consultancy); and
4. Attendance to any 'business as usual' (**BAU**) matters as they arise.

Items one and two above are outside the scope of this report.

The SPU comprises four team members. The structure of the team is outlined below.



Hamilton City Council | Strategic Property Unit | Internal Audit
PwC

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Team roles

The SPU reports directly to Blair Bowcott, the General Manager of Growth (**GM - Growth**).

Nicolas Wells - Manager

Nicolas leads the SPU team. He oversees the team's work and provides direction to the strategic property advice. Nicolas has scheduled formal and frequent informal communication with the GM - Growth.

Claire Foster - Senior Property Advisor

Claire deals with the leasing management aspects of Council's property portfolio.

Trevor Harris - Senior Property Advisor

Trevor manages the acquisition and disposal processes for Council properties, both for those identified as strategically important and for wider BAU purposes.

Kerryn Kane - Business Coordinator

Kerryn supports the SPU team administratively including assisting with contract and proposal preparation and invoice reconciliation. 70% to 80% of Kerryn's time is allocated to the SPU and the remainder is spent with the Planning Guidance team.

To assess the performance of the SPU in the three areas outlined in our scope (framework, achievement of outcomes and effectiveness of management), we have undertaken the following in the course of our investigations:

- Interviews with each member of the SPU team and the GM - Growth.
- Analysis of three recent and significant SPU acquisitions, commonly referred to as:
 - Victoria on the River (**VOTR**)
 - Raynes Road
 - Mardon Road
- Analysis of the SPU's function at HCC.

The SPU team were open and engaging during our interactions, enabling us to obtain useful insights into the SPU's operating framework, the roles of each team member, and each person's understanding of the unit and its processes. We would like to acknowledge the time made available, and responsiveness to requests, by the SPU team and Blair Bowcott in assisting with our assessment process.

Executive Summary

Objective

The objective of this engagement was to provide Hamilton City Council (**HCC** or **Council**) with an assessment of the management and processes undertaken by its Strategic Property Unit (**SPU**) in respect of strategic property stewardship, processes for strategic property acquisition and disposals, and achievement of desired Council outcomes.

Scope and process

The scope of our engagement is to provide a high-level assessment of the SPU's activities against good practice in respect of the following areas:

- Effectiveness of strategic property portfolio management
- Strategic property framework (policy, processes)
- Achievement of Council outcomes in relation to strategic property acquisitions and disposals.

Our approach was to interview members of the SPU team and the executive sponsor of this engagement; assess the SPU's current policy and process documentation; and assess a sample of documentation for three projects undertaken by the SPU.

In addition to the above, we conducted an assessment of the implementation of recommendations from our 16 February 2021 internal audit report regarding management of the commercial property portfolio.

Please refer to Appendix I for the full scope and approach.

Scope limitations

Our scope did not include:

- Property lease/licence management or processes
- Non-strategic property acquisition and disposal processes
- Investment funds
- Advice provided on property matters
- Detailed assessment of actual business case conclusions/recommendations (i.e. we are not providing a second opinion)
- Whether the achievement of wider objectives represent value for money.

Our assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

Project / programme success framework

In undertaking our assessment we have referenced our framework for the elements of project or programme success (to the extent applicable) as set out below.

12 elements of project / programme success

1. Engaged stakeholders
2. Clear scope
3. Managed risks and opportunities
4. Delivery-enabling plans
5. Focused benefits management
6. High performing teams
7. Smart budget control
8. Integrated suppliers / consultants
9. Active quality management
10. Embedded life-cycle assurance and learning
11. Agile change control
12. Strong, fit for purpose, governance and reporting

Executive Summary

Key findings

Overview

The SPU is a small team of four staff (3.8 FTE), reporting in to the GM - Growth, responsible (among other activities) for managing strategic property acquisitions / disposals and Council's commercial leasing portfolio. The nature of its role involves regular interaction with other areas of Council to support wider activities and strategic objectives.

Whilst our assessment findings overall were positive, with minimal adverse issues, a number of opportunities have been identified to improve Council utilisation of the team's specialist skill set and enable them to add value to Council's wider initiatives. Set out below is a high level summary of the areas where opportunities have been identified with reference to our '12 elements of success' framework for projects / programmes.

A consolidated summary of our observations and associated recommended actions for consideration are set out on page 9.

Framework

The SPU has well documented processes within the Promapp system, supporting consistency and continuity of core transactional activities. Strong relationships have also been established with key external specialists, which provides a further mitigation of continuity risk. Our recommendations include further development of project reporting guidelines, quality assurance processes, continuity planning, and periodic review of consultant panels.

In respect of alignment with Council's targeted outcomes, we believe a more comprehensive statement of the unit's purpose, objectives and opportunity assessment process would improve wider Council understanding of the priorities, focus and role of the SPU. This should be discussed and agreed between the SPU unit, GM-Growth and Council.

The SPU team had previously identified its relationships with, and support of, other Council units as a key focus for development to support both specific projects and a broader land optimisation strategy for Council property and the team has previously commissioned an engagement plan to progress this area. As part of this process, we have recommended establishing clear criteria for when the SPU should engage or be engaged by other units and further develop its understanding of both the full Council property portfolio (noted that a review is in progress) and the strategic direction of other Council units to proactively identify potential future opportunities for the SPU to support Council outcomes.

It was also noted that, whilst the framework for lease management activities is outside the scope of this report, improving the efficiencies of this process (as noted in the February 2021 Internal Audit report) could provide additional capacity for the SPU specialists to focus on the more strategic aspects of their function set out above.

High level assessment against "12 elements of success"

Engaged stakeholders	●	Smart budget control	●
Clear scope	●	Integrated suppliers / consultants	●
Managed risks and opportunities	●	Active quality management	●
Delivery-enabling plans	●	Embedded life-cycle assurance and learning	●
Focused benefits management	●	Agile change control	●
High performing teams	●	Strong, fit for purpose, governance and reporting	●

● No material matters identified ● Action / opportunity identified ● Material concern or adverse risk identified ● Not applicable or outside of scope

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Executive Summary

Key findings (continued)

Achievement of outcomes

To assess outcomes of the SPU, key documentation for three selected property acquisition projects was assessed, alongside examples of team dashboard reporting. These assessments were limited to a review of alignment with identified policies and processes and achievement of targeted outcomes noted in the documentation and identified from our discussions with the SPU team.

Although varying significantly in size and complexity, the documentation for each of the projects demonstrated a consistent approach and comprehensive consideration of factors aligned with Council priorities / strategies. Where transactions have been completed, the outcomes achieved appear aligned with those targeted and activities still in progress are also consistent with pursuing the stated targeted outcomes.

Minor numerical inconsistencies / errors were identified in reports for two of the projects. Whilst these appear unlikely to have impacted outcomes or recommendations, additional quality assurance measures have been recommended given the importance of these reports as support for Council decision making.

The processes followed for two of the three projects were consistent with the framework set out in Promapp. The third project is in an early stage and some inconsistencies in respect of alignment with processes were identified with regard to the level of supporting information for actions undertaken, which may be remedied as the project progresses.

Overall, documentation and assessment considerations appear comprehensive and well articulated, reflecting the experience and expertise of the team both in technical property matters and their wider understanding of Council operations / priorities. To facilitate additional support and confidence in the processes undertaken and further mitigate continuity risk, we have recommended that current Promapp checklists for SPU activities be reviewed and updated to represent a summary status report to be populated throughout the course of a project and appended to approval / decision request papers.

The dashboard reporting viewed provided a useful view of SPU activities and was noted as well received and informative by the GM-Growth. We have noted that, once further clarity around the purpose and objectives of the SPU is confirmed, these reports may be reviewed and updated.

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PWC

Effectiveness of management

Our assessment process, including interviews with individual SPU team members and the GM - Growth, indicate strong technical capability, extensive experience and a collaborative and open culture, supporting successful delivery of outcomes. The level of communication and awareness of other team members' focus areas supports the confidence expressed to us that temporary absence of a team member is unlikely to adversely impact activities.

Outcomes and effectiveness driven by the inherent specialist knowledge within the SPU team (of both property and Council matters) cannot be replicated fully through documentation of processes. Accordingly, longer term continuity and succession planning is a recommended area of focus to ensure that Council can maximise the longer term benefit of the knowledge and experience built within the unit over many years. In this regard we have recommended that a process for identifying and assessing options for building future capability.

Over the course of our assessment, increased capacity to undertake strategic opportunity planning activities was identified as an area of opportunity that would provide additional benefits to wider Council activities. However, additional specialist resource is not considered to be required or an effective solution based on overall activity levels. Accordingly, our recommended focus is on the reallocation of less specialised tasks and potential consideration of additional part time resources (potentially increasing over time) to support business as usual activities.

Previous property management internal audit recommendations

Of the six agreed action plan items from the 16 February 2021 internal audit report, three have been completed, one is in progress (inspection records access) and two are yet to be implemented (invoicing efficiencies, additional review processes for lease information).

The two items yet to be implemented relate (alongside additional completed actions) to mitigation of moderate risks identified in our prior report.

Management Comment

The report makes a range of useful observations and identifies opportunities for enhancement. Some of these will need to be prioritised and some are dependent on additional resourcing.

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Executive Summary

Consolidated recommended actions for consideration

Observations	Recommended actions	Priority	Owner
1. Greater detail and clarity required in respect of the purpose, function and activities of the SPU and associated objectives / key performance indicators	1.1 Prepare a comprehensive statement of the SPU's purpose, objectives and basis for opportunity assessment, to be confirmed and agreed between the SPU and Council leadership.	1	GM Growth & SPU Manager
	1.2 Once increased detail regarding the purpose, function and objectives of the SPU are agreed, review dashboard reporting to reflect consistency with associated KPIs.	2	SPU Manager
2. Opportunities to explore options for increasing the capacity of existing team members to focus on strategic activities to benefit wider Council objectives and facilitate continuity / succession planning	2.1 Prepare continuity planning including where internal resource can be used and identifying key contacts at external consultants where appropriate to ensure activities levels can be maintained with minimal interruption in the event of the absence of an SPU team member.	2	SPU Manager
	2.2 Upon completion of the wider Council property portfolio review and other internal unit management processes currently underway (which should include an assessment of potential future opportunity areas based on strategic direction), issue criteria for SPU engagement and prepare an internal SPU plan for identifying future opportunities proactively.	1	Senior Advisors
	2.3 Commence a process for identifying and assessing potential options to build future internal capability to maximise the longer term value of the extensive knowledge and experience of the existing SPU team.	2	GM Growth & SPU Manager
	2.4 Consider options to re-allocate more of the less specialised business as usual tasks currently undertaken by the senior advisors in order to create increased capacity for strategic activities.	2	Senior Advisors
3. Opportunities for process / operational efficiency improvement	3.1 Incorporate an outline structure for Council / committee reports and an associated quality assurance process to be followed prior to submission.	2	Senior Advisors
	3.2 Conduct a subsequent review of the use and effectiveness of the new risk management system following full population / implementation.	2	SPU Manager
	3.3 Schedule periodic reviews of the content of Promapp to ensure currency.	2	Senior Advisors
	3.4 Consider a periodic (e.g. 3 yrly) panel refresh for external consultants.	2	SPU Manager
	3.5 Continue to pursue efficiencies in invoicing processes to increase the capacity of the SPU team to undertake strategic property advisory activities.	2	Business Coordinator
	3.6 Institute and document a quality assurance process for the review of reports prior to submission, particularly in respect of numerical information, and ensure that completion is appropriately documented.	1	Business Coordinator
	3.7 Review the current checklists for projects / transactions within Promapp to facilitate their use as as both a live status summary document throughout the course of a project and an annexure to reports / approval requests.	1	Senior Advisors
4. Open agreed actions from prior property management internal audit	4.1 Implement a second person review of key information entered into the register.	2	Kay Lindsay Claire Foster
	4.2 Work with the Facilities team to improve processes in respect of the provision of (or facilitation of access to) property inspection records	2	Kay Lindsay Claire Foster
	4.3 Investigate the current on-charging processes for non-rental lease transactions for potential solutions to reduce manual requirements / increase automation.	2	Kay Lindsay Claire Foster

Hamilton City Council | Strategic Property Unit | Internal Audit
PwC

FINAL - Strictly confidential

9

2

Update on previous review
recommendations

10

Item 9

Attachment 1

Update on previous review recommendations

Follow-up of previous property management internal audit recommendations

Assess the implementation of the recommendations from our 16 February internal audit report which had due dates of May to June 2021.

Authority System data integrity		Risk: Lease information is incorrectly input into the Authority system, giving rise to potential operational errors.		
Recommendations		Agreed Action Plan	Current status	Action Status
1.1	Document process notes need to be established in Promapp.	Record end to end process in Promapp.	Existing Promapps has been updated to include a step requiring the property lease register to be updated.	Complete
1.2	Decide on what information is input into each field (for example, is Final Expiry Date the next renewal date or the final date of the lease agreement).	Move renewal dates out of the Final Expiry date field and into the renewal field.	Final expiry dates have been moved into the renewal field. Sighted one example of this.	Complete
1.3	Implement a review process of key field changes made to check that lease information is accurate and relevant documents are held on file (now and as an ongoing process).	Develop internal audit regime for leasing register and implementation of a second person review of key information entered into the register.	There is no formal second review process for changes to lease information.	Not implemented

Detailed observations and recommendations

Follow-up of previous property management internal audit recommendations - continued

Assess the implementation of the recommendations from our 16 February internal audit report which had due dates of May to June 2021.

Multiple teams managing Commercial property		Risk: Multiple teams and systems may result in breakdowns in data and processes. Teams may not be all aware of communications with the tenant and there is a risk that a sensitive situation may be compromised.		
Recommendations		Agreed Action Plan	Current status	Action Status
2.1	The Facilities team need to provide the Property Officer with copies of the inspection records to store in the Content Management system, so these can be referenced from Authority (alternatively, a link from Authority to IPS should be developed).	Work with Facilities to improve process.	Facilities do not send their inspection records. They have been developing "building on a page" reporting but this has not been developed for leased assets yet.	In progress
2.2	Provide the Property Officer with a project dashboard of works being undertaken on these properties.	Work with Facilities to improve process.	The asset team has developed a power BI dashboard which provides real time reporting of works data sourced from the IPS asset system. This provides information on maintenance being undertaken on the properties. An example of dashboard reporting has been sighted for one property.	Complete

Detailed observations and recommendations

Follow-up of previous property management internal audit recommendations - continued

Assess the implementation of the recommendations from our 16 February internal audit report which had due dates of May to June 2021.

Manual invoice processes		Risk: The risks that are presented by the entirely manual process relate to completeness and data accuracy.		
Recommendations		Agreed Action Plan	Current status	Action Status
3.1	Simplify the receipt of information and utilise one spreadsheet (e.g. receiving all information required for manual invoicing into a folder within the central drive system rather than over email).	Investigate the current on-charging process and possible solutions. Engage IS to look at automation possibilities.	There have been no changes to the manual process due to system constraints with Authority and its ability to communicate with different modules i.e. rates module, water billings module.	Not implemented
3.2	Implement a review process by the Property Officer of the draft manual invoices to ensure that all appropriate invoices are issued to tenants and that no costs passed on to tenants are missed.		A manual invoice template is being used to raise invoices as Finance can only generate automatic invoices. Invoice line items are manually pulled together for each month's invoice. The manual invoice is reviewed by Claire to check that it has the right information for the lease and tenant. This is cross referenced against an invoice and credit note schedule.	
3.3	Investigate the implementation of a regular monthly invoice with a wash-up at year-end for operating expense recoveries.		This process is expected to be improved as upgrades occur with Authority.	

3 Appendices

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Appendix I - Extract from Terms of Reference - scope and approach

The **objective** of this engagement is to assess Council's strategic property stewardship, processes for strategic property acquisition and disposals, and achievement of desired Council outcomes.

To do this, the **scope** of our engagement is to provide a high-level assessment of the:

- Effectiveness of strategic property portfolio management
- Strategic property framework (policy, processes)
- Achievement of Council outcomes in relation to strategic property acquisitions and disposals

Limitations

Our scope does not include:

- Property lease/licence management or processes
- Non- strategic property acquisition and disposal processes
- Investment funds
- Advice provided on property matters
- Detailed assessment of actual business case conclusions/recommendations (i.e. we are not providing a second opinion)
- Whether the achievement of wider objectives represent value for money.

Our assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly,

this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

Approach

We will work with our Property, Infrastructure and Capital (PIC) team which enables access to subject matter experts. Our PIC team is actively involved in local and central government, institutional and private sector property. Its range of work includes strategic reviews, asset optimisation, business cases, capital projects and transaction structuring and execution.

Effectiveness of management - we will establish a benchmark for best practice, document Council's current approach and identify any gaps between best practice and current practice. We will also provide high level advice on how any gaps could be bridged.

Framework - we will compare the alignment of the framework (particularly policy and processes) with Council's targeted outcomes. We will identify any gaps between the two and provide high level advice on how any gaps can be mitigated or closed.

Achievement of outcomes - we will review actual progress and outcomes and compare these to target or planned outcomes. We will identify any gaps between the two and provide high level advice on how any gaps can be mitigated or closed.

To ensure that we have properly understood the current approach we will conduct a workshop with Council to confirm our factual understanding.

Our approach to this engagement involves the following procedures:

Strategic Property Portfolio Management

- Assess Council's required outcomes for the Strategic Property Management Unit, including investment mandate
- Read key related strategic property management supporting documentation provided by Council management
- Interview key Council staff (four maximum) to obtain an understanding of strategic property management
- Assess three strategic property business cases for alignment to investment mandate, assessment of risks and appropriate controls to manage the risk and achievement of Council outcomes.

Follow-up of previous Property management internal audit recommendations

- Assess the implementation of the recommendations from our 16 February internal audit report.

Ngā mihi - Thank you



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Item 9

Attachment 1

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 14 December 2022
Author: Tracey Musty
Authoriser: David Bryant
Position: Finance Director
Position: General Manager People and Organisational Performance
Report Name: Final Approval of the 2021/22 Annual Report, 2021/22 Summary Annual Report and Representation Letters

Report Status	<i>Open</i>
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Purpose - *Take*

1. To seek a recommendation from the Strategic Risk and Assurance Committee that the Council adopts the 2021/22 Annual Report and 2021/22 Summary Annual Report.
2. To seek a recommendation from the Strategic Risk and Assurance Committee that the Council approves the Representation Letters be signed by the Chief Executive and Mayor.

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

3. That the Strategic Risk and Assurance Committee:
 - a) receives the report; and
 - b) recommends that the Council:
 - i. adopts the Annual Report 2021/22 and the Summary Annual Report 2021/22; and
 - ii. approves the letter of representations to Audit New Zealand be signed by the Chief Executive and the Mayor on behalf of Council.

Executive Summary - *Whakaraapopototanga matua*

4. The draft Annual Report 2021/22 was reviewed by the Strategic Risk and Assurance at the workshop held on 25 November 2022. Any changes advised at this workshop have been incorporated into the final Annual Report 2021/22.
5. Verbal clearance on the Annual Report 2021/22 will be provided by Audit New Zealand at this meeting.
6. The final opinion on the Annual Report 2021/22 will be issued on 15 December 2022.
7. A Representation Letter has been provided by Audit New Zealand to be signed by Council's Chief Executive and Mayor Southgate to attest to the accuracy of the information within the 2021/2022 Annual Report (**Attachment 1**) and the 2021/22 Summary Annual Report (**Attachment 2**).
8. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

9. Audit New Zealand were onsite from 5 September 2022 to 2 November 2022 to complete the Final Audit. Any changes advised from Audit New Zealand have been captured in the final Annual Report 2021/22.
10. The draft Annual Report 2021/22 was reviewed by the Strategic Risk and Assurance at the workshop held on 25 November 2022. Any changes advised at this workshop have been incorporated into the final Annual Report 2021/22.
11. The Final Annual Report 2021/22 and Summary Annual Report 2021/22 will be circulated prior to the meeting.
12. The delays in providing the Annual Report are due to last minute changes that have been requested by Audit New Zealand.
13. Verbal clearance on the Annual Report 2021/22 will be provided by Audit New Zealand at this meeting. The final opinion on the Annual Report 2021/22 will be issued on 15 December 2022.
14. A Representation Letter has been provided by Audit New Zealand to be signed by Council's Chief Executive and Mayor Southgate to attest to the accuracy of the information within the 2021/2022 Annual Report (**Attachment 1**) and the 2021/22 Summary Annual Report (**Attachment 2**).
15. The representation letters need to be signed on the same date as the final Annual Report 2021/22 and Summary Annual Report 2021/22.
16. The Annual Report is a requirement under the Local Government Act 2002. The report has been prepared and is compliant with all applicable accounting standards.

Financial Considerations - *Whaiwhakaaro Puutea*

17. The cost of this engagement is funded through the 2021 – 2031 10 Year plan.

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

18. Staff confirm that matters in this report complies with the Council's legal and policy requirements.
19. 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*

20. 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').
21. 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.
22. The recommendations set out in this report are consistent with that purpose.
23. Economic wellbeing is managed through the efficient monitoring of Council's financial results. Diligent reporting of Council's budget to actual financial results is required to ensure Council is operating effectively and policy compliance is met.
24. The environmental, social and cultural wellbeings are not directly impacted by the Annual Report.

Risks - *Tuuraru*

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

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

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - HCC Letter of Representation for the Annual Report 2021/22

Attachment 2 - HCC Letter of Representation for the Summary Annual Report 2021/22

Entity Letterhead

15 December 2022

Clarence Susan
Appointed Auditor
Audit New Zealand
PO Box 620
Tauranga 3144

Dear Clarence

Representation letter for the year ended 30 June 2022

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of service performance of Hamilton City Council (the City Council) and group for the year ended 30 June 2022 for the purpose of expressing an independent opinion about whether:

- the financial statements:
 - present fairly, in all material respects:
 - the financial position as at 30 June 2022; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the funding impact statement 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 City Council's annual plan.
- the statement of service performance:
 - presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2022, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand.
- The statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's annual plan.
- the funding impact statement for each group of activities 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 City Council's Long-term plan.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, 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.

We understand that, because you will be issuing a non-standard audit report, the Auditor-General has the responsibility to refer to that audit report in a report to Parliament in accordance with section 20 of the Public Audit Act 2001.

General responsibilities

To the best of our knowledge and belief:

- the resources, activities, under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations, and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of City Council and group) to prevent and detect fraud or error, and which enables the preparation of the financial statements and the statement of performance that are free from material misstatement whether due to fraud or error.

Representations on the financial statements and the statement of service performance

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and statement of service performance, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of service performance as required by the Local Government Act 2002 and, in particular, that:
 - the financial statements:
 - present fairly, in all material respects:
 - the financial position of the City Council and group as at 30 June 2022; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Accounting Standards.
 - the statement of service performance:
 - presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2022, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand.
- the funding impact statement 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 City Council's annual plan;
- the statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's annual plan;

- the funding impact statement for each group of activities 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 City Council's Long-term plan;
- we have complied with the requirements of Schedule 10 of the Act that apply to the annual report;
- we have made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014);
- we believe the methods, significant assumptions, and data used in making and supporting accounting estimates and the related disclosures in the financial statements and performance information are appropriate to achieve recognition, measurement, or disclosure that is in accordance with Public Benefit Entity Reporting Standards;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements;
- we have adjusted or disclosed all events subsequent to 30 June 2022 that require adjustment or disclosure;
- we are aware that you have not identified any misstatements to the financial statements and statement of service performance during the course of your audit that have not been adjusted; and
- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance with Public Benefit Entity Reporting Standards.

In making these representations in connection with your audit of the group financial statements, we are aware that audits of the subsidiaries have not yet been completed. We have obtained assurance that the financial information of the subsidiaries (none of which we believe to be significant to the group) is sufficiently reliable to use in the group's reporting.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of service performance; and
 - unrestricted access to persons within the City Council and group from whom you determined it necessary to obtain audit evidence;

- we have disclosed to you the results of our assessment of the risk that the financial statements and statement of service performance may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the City Council and group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and statement of service performance;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the City Council and group's financial statements and statement of service performance communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the statement of service performance, including possible non-compliance with laws for setting rates;
- we have provided you with all the other documents ("other information") which will accompany the financial statements and the performance information which are consistent with one another, and the other information does not contain any material misstatements; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Publication of the financial statements and statement of service performance and related audit report on a website

The Council accepts that it is responsible for the electronic presentation of the audited financial statements and statement of service performance.

The electronic version of the audited financial statements and statement of service performance and the related audit report presented on the website are the same as the final signed version of the audited financial statements and statement of service performance and audit report.

We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.

We have assessed the security controls over audited financial and statement of service performance and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.

Where the audit report on the full financial statements and statement of service performance is provided on a website, the financial statements and statement of service performance are also provided in full.

Going concern

We confirm that, to the best of our knowledge and belief, the City Council and group has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Council continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of service performance for the year ended 30 June 2022. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the City Council and group during the period of one year from 15 December 2022, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and the statement of service performance adequately disclose the circumstances, and any uncertainties, that we can reasonably be expected to be aware of concerning the adoption of the going concern basis of accounting by the City Council and group.

Sign-off on these representations

These representations are made at your request, and to supplement information obtained by you from the records of the City Council and group and to confirm information given to you orally.

Yours sincerely

Paula Southgate
Mayor

Lance Vervoort
Chief Executive

ENTITY LETTERHEAD

15 December 2022

Clarence Susan
Appointed Auditor
Audit New Zealand
PO Box 620
Tauranga 3411

Dear Clarence

Representation letter for Summary Annual Report for the year ended 2022

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the Summary Annual Report of Hamilton City Council (City Council) and group for the year ended 30 June 2022 for the purpose of expressing an independent opinion about whether the Summary Annual Report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and complies with PBE FRS 43: *Summary Financial Statements*.

We understand that your examination was conducted in accordance with the Auditing Standards issued by the Auditor-General, 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. We also understand that your examination was (to the extent that you deemed appropriate) for the objective of providing an independent opinion on the City Council and group's Summary Annual Report.

Responsibilities for the Summary Annual Report

We confirm, to the best of our knowledge and belief:

- we have fulfilled our responsibilities for preparing and presenting the Summary Annual Report as required by the Local Government Act 2002 and PBE FRS 43: *Summary Financial Statements* and, in particular, that:
 - the Summary Annual Report complies with PBE FRS 43: *Summary Financial Statements*;
 - the information contained in the Summary Annual Report is consistent with the full financial statements from which it is derived; and

- the information contained in the Summary Annual Report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report;
- we believe that there are no material uncorrected misstatements, both individually and in the aggregate, to the Summary Annual Report as a whole.
- we believe the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, both individually and in aggregate, to the Summary Annual Report as a whole.

Publication of the Summary Annual Report and related audit report on a website

- The Council accepts that it is responsible for the electronic presentation of the audited Summary Annual Report.
- The electronic version of the audited Summary Annual Report and the related audit report presented on the website are the same as the final signed version of the audited Summary Annual Report and audit report.
- We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.
- We have assessed the security controls over audited Summary Annual Report and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.
- Where the audit report on the Summary Annual Report is provided on a website, the Summary Annual Report is also provided in full.

Sign-off on these representations

These representations are made at your request, and to supplement information obtained by you from the records of the City Council and group and to confirm information given to you orally.

Your sincerely

Paula Southgate
Mayor

Lance Vervoort
Chief Executive

Council Report

Item 11

Committee: Strategic Risk and Assurance Committee

Date: 14 December 2022

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager People and Organisational Performance

Report Name: Annual Credit Rating Report - S&P Global Ratings

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

1. To inform the Strategic Risk and Assurance Committee on the Annual Credit Rating Report prepared by S&P Global Ratings (S&P) based on the year ending 30 June 2022.

Staff Recommendation - Tuutohu-aa-kaimahi

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

Executive Summary - Whakaraapopototanga matua

3. S&P Global Ratings (previously Standard and Poor's) is the credit rating agency used by Hamilton City Council (HCC) to independently review and issue a credit rating on HCC debt.
4. These credit ratings assess the ability of an organisation to repay debt, by meeting interest payment obligations, as well as the likelihood of default.
5. Lending facilities utilise these credit ratings to determine the cost of debt being borrowed. A higher rating indicates that an organisation is a lower lending risk. This results in lower interest rates when lending.
6. S&P completed their review for HCC and provided the key indicators of HCC's financial health on 19 September 2022.
7. S&P affirmed HCC's long-term foreign-currency and local-currency ratings at AA-, and short-term rating at A-1+. The outlook remains stable.
8. The published Rating Action Commentary (RAC's) can be found in **Attachment 1**.
9. Staff consider the matters in this report to have low significance and that the recommendations comply with Council's legal requirements.

Discussion - Matapaki

10. S&P have been engaged by Council to review the credit ratings since the 2020.
11. S&P have updated their analysis based on the publication of Council's 2022-23 Annual Plan, as well as completing interviews with senior members of staff, the CE and the Mayor.
12. Ratings are supported by Hamilton's strong economic outlook, financial management and New Zealand's institutional framework.

13. Key considerations that support the Issuer Credit Rating include:
- i. Council's financial management and institutional framework support ratings;
 - ii. New Zealand's institutional settings and Hamilton's experienced management team support S&P's ratings on the Council; and
 - iii. Hamilton's economy is supported by a diverse range of industries.

Financial Considerations - *Whaiwhakaaro Puutea*

14. This is a regular operating activity funded through the Long-Term Plan.
15. There are no financial implications in relation to this decision as the credit rating remains unchanged and the outlook is stable.

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

16. Staff confirm that this matter complies with Council's legal and policy requirements.
17. 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*

18. 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').
19. 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.
20. The recommendations set out in this report are consistent with that purpose.
21. Economic wellbeing is managed through the efficient monitoring of Council's financial results. A stable outlook and affirmed credit rating supports the economic wellbeing.
22. There are no environmental, social or cultural wellbeing implications identified in the formulation of this report.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - S&P Global Credit Ratings Report 2022

Research Update:

Hamilton City Council 'AA-/A-1+' Ratings Affirmed; Outlook Stable

September 19, 2022

Overview

- Hamilton's fiscal deficits are very weak compared with peers because it's delivering a historically large capital program, leading to rising debt.
- The council's liquidity coverage is improving due to increased bank facilities and higher cash balances.
- Its economic profile, experienced management, and New Zealand institutional settings underpin our ratings.
- We are affirming our 'AA-' long-term and 'A-1+' short-term issuer credit ratings on Hamilton. The outlook is stable.

Rating Action

On Sept. 20, 2022, S&P Global Ratings affirmed its 'AA-' long-term foreign currency and local-currency ratings and 'A-1+' short-term issuer credit ratings on Hamilton City Council, a New Zealand local government. The outlook on the long-term ratings is stable.

Outlook

The stable outlook reflects our expectations that liquidity coverage remains above 120% of debt service during a period of large deficits and growing debt.

Upside scenario

We could raise on our ratings on Hamilton if the council's budgetary performance improved by lowering its after-capital account deficits while maintaining its strong liquidity coverage.

There could be upward pressure on the ratings if the New Zealand government's proposed "three waters" (drinking water, wastewater, and stormwater) reforms slated to commence around mid-2024--including receipt of "better off" grants or other compensation--are likely to

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structurally improve the council's financial metrics.

Downside scenario

We could lower our ratings on Hamilton if after-capital deficits regularly exceeded 25% of total revenues or debt levels rose substantially above our base case. This could occur, for instance, if capital expenditure was higher than, or if the council's revenues don't rise in line with, our forecasts. This scenario could also cause us to review our assessment of the council's financial management.

We would lower our ratings on Hamilton if we were to take similar action on New Zealand or if the New Zealand government's proposed three waters reforms are likely to adversely affect the council's financial metrics.

Rationale

Hamilton's large capital expenditure program addressing water and roading infrastructure for its growing population will ensure the council's fiscal position remains weak for a prolonged period. We project there will be large after-capital deficits and higher debt levels over the next few years. Crown funding and capacity constraints with capital expenditure delivery will help alleviate some immediate pressure on the council's budget. The council's liquidity coverage has strengthened over our forecast period as the council increased its bank facilities. We have updated our analysis for Hamilton through to financial year 2025 following the release of the annual plan for fiscal years 2022-2023.

We expect the council's financial management, resilient local economy, and New Zealand's institutional settings to continue to support the council's credit profile.

Our base case excludes the potential effect of the Crown's proposed three waters reforms. The reform program, as currently envisaged, could see responsibility for drinking water, wastewater, and stormwater assets taken away from councils and amalgamated into four new regional water service entities from mid-2024. The reforms are still in the consultation phase.

Strong economic outlook, experienced financial management, and New Zealand's institutional framework underpin Hamilton's creditworthiness

The institutional framework within which New Zealand local governments operate is a key factor supporting Hamilton's credit profile. The New Zealand local government system promotes a strong management culture, fiscal discipline, and high levels of financial disclosure among local councils. We believe this framework is one of the strongest and most predictable globally. This system allows Hamilton to support higher debt levels than some of its international peers can tolerate at the current rating level.

Hamilton's financial management supports our ratings. Its budgets are credible and processes are well established, with the council preparing 10-year long-term plans every three years and annual plans in the intervening years, in line with New Zealand requirements. The council's treasury management policy sets prudent limits on borrowing, liquidity, and interest-rate risk. Hamilton only borrows in local currency, in accordance with legislation. The council focuses on monitoring its debt to revenue as a prudent response to its large capital expenditure program over the next decade.

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Like its domestic peers, Hamilton is governed by an elected group of councilors, led by a mayor. The council appointed internally a new chief executive who has been part of the management team for over a decade. We don't anticipate any deviation from the current strategic direction of the council with this change. General rate increases and the council's large capital pipeline will be key topics at the election on Oct. 8, 2022.

The council monitors the status and progress of its capital projects, captured in its Capital Monitoring Report. It reviews and approves this every six weeks. Through this process, Hamilton can reprioritize its delayed or deferred capital expenditure through a separate infrastructure strategic management team, which incorporates the project management office, and works closely with its finance team.

Hamilton's economy is supported by a diverse range of industries as well as being the nation's third-fastest-growing urban area behind Auckland and its surroundings. The local economy contracted by about 0.4% of GDP per capita in 2022, compared with a national economy that was growing 0.9%. This modest weakening comes after a large rebound in 2021, following national COVID-19-related lockdowns in 2020. The city's unemployment rate was 4.4% in the year to June 2022, well below the city's previous expectations. Population growth has started to pick up, and Hamilton is one of the Waikato region's most populous cities.

The city region historically relied on the dairy industry for most of its income and associated jobs, but employment is now more diversified. Research, education, and services have been expanding as the population grows. Construction activity has softened recently, with residential building consents dropping 1.4% compared with the same time last year. We believe the ongoing large greenfield projects such as Peacocke and Rotokauri will contribute to the recovery of the city's economy as well as adding about 20,000 homes in the coming decade to meet residential housing demand.

Liquidity coverage improves; large infrastructure pipeline ensure Hamilton's financial position will remain weak

Hamilton continues its large infrastructure program. We expect the council to incur large after-capital account deficits averaging more than 20% of adjusted total revenues between 2021 and 2025. Hamilton is a high-growth council and expects strong population growth over the next decade. The council is responding by increasing its infrastructure budget to support residential housing growth. The council outlined its capital expenditure plan of about NZ\$2.5 billion for the 10 years in its 2021-2031 Long-Term Plan. Most capital works for the next few years are attributable to the Peacocke Greenfield residential development, wastewater capacity and water treatment plant upgrades, and transport and road projects such as the Rotokauri Transport Hub and new Hamilton Ring Road.

We believe it will be difficult for the council to fully achieve these levels of capital expenditure on schedule due to labor and material capacity constraints and New Zealand Transport Agency grant delays. We expect Hamilton, like many of its domestic peers, to under-deliver on the roll out of its infrastructure plans. As such, we expect the council to underspend its capital expenditure by 20%-40% between 2023 and 2025 compared with its budgeted capital expenditure. Given its financial position and our large haircuts to its capital expenditure budget, we believe Hamilton's fiscal flexibility is neutral to our rating and is similar to global and international peers. We believe it would be difficult for Hamilton to substantially reduce capital expenditure relative to our forecasts without creating large backlogs, given its acute growth pressures.

Additional grants and subsidies are supporting the council's financial outcomes. These grants will

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help contain some of the growth in Hamilton's after-capital account deficits. This includes substantial roading subsidies from Waka Kotahi New Zealand Transport Authority. The council is awaiting the outcome of an Infrastructure Acceleration Fund application to support brownfield development in the city center.

The council's operating balance will remain strong. We estimate it will average 21% of operating revenues from 2021 to 2025. Financial outcomes will be supported by rates increases in the next few years to fund key city infrastructure. The council raised rates by 8.9% in 2022; however, as per the 2022-2023 Annual Plan, the average annual rate increase will be capped at 4.9%. The government compliance targeted rate persists because of legislation introduced by the central government to deliver water services and make changes to the council's District Plan.

Our large forecast after-capital account deficits reflect the council's decision, like its domestic peers, to fund its large infrastructure program through intergenerational equity. This involves funding infrastructure with long-term borrowing rather than through immediate rate increases to spread the cost of such infrastructure to future generations who will enjoy its benefits. Due to this policy, the council's total tax-supported debt will reach 299% of operating revenues in fiscal 2025, up from 252% as of fiscal 2022. This makes Hamilton one of the most indebted councils in the world that we rate. We anticipate interest expenses to average about 6.2% of operating revenues between 2022 and 2024, up from 5.8% in the previous update.

We view Hamilton's contingent liabilities as very small, with little uninsured exposure to natural disasters or off-balance-sheet council-controlled organizations.

Hamilton's liquidity coverage improved in this review. The council increased its committed bank facilities by NZ\$40 million to NZ\$100.5 million. This improves the council's debt service coverage ratio to 135.6%. We estimate that the council has about NZ\$132 million in cash and NZ\$100.5 million of bank lines to cover NZ\$84 million of upcoming debt maturities, NZ\$20 million of interest in fiscal 2023, and budget needs.

Further, we consider that access to the New Zealand Local Government Funding Agency (LGFA) provides Hamilton, with strong access to a well-established source of external liquidity. In our view, the LGFA benefits from an "extremely high" likelihood of extraordinary central government support and has helped Hamilton to both lengthen its maturity profile and reduce its interest expenses compared with the past.

Key Statistics

Table 1

Key Statistics

(mil. NZ\$)	--Year ended June 30--				
	2021	2022e	2023bc	2024bc	2025bc
Selected indicators					
Operating revenues	271	282	301	322	340
Operating expenditures	194	245	255	251	254
Operating balance	77	38	46	70	86
Operating balance (% of operating revenues)	28.3	13.3	15.3	21.9	25.3
Capital revenues	105	112	105	106	104
Capital expenditures	235	244	260	252	270

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Table 1

Key Statistics (cont.)

(mil. NZ\$)	--Year ended June 30--				
	2021	2022e	2023bc	2024bc	2025bc
Balance after capital accounts	(53)	(94)	(110)	(75)	(80)
Balance after capital accounts (% of total revenues)	(14.2)	(24)	(27.1)	(17.5)	(17.9)
Debt repaid	61	73	64	95	85
Gross borrowings	63	253	176	171	164
Balance after borrowings	(51)	86	2	1	(1)
Tax-supported debt (outstanding at year-end)	530	710	861	937	1,016
Tax-supported debt (% of consolidated operating revenues)	195.8	251.5	286.4	291.3	299.0
Interest (% of operating revenues)	4.6	5.9	6.6	6.4	6.6
National GDP per capita (single units)	67,059	70,301	75,439	78,211	80,976

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings Score Snapshot

Table 2

Ratings Score Snapshot

Key rating factors

Institutional framework	1
Economy	1
Financial management	2
Budgetary performance	4
Liquidity	1
Debt burden	5
Standalone credit profile	aa-
Issuer credit rating	AA-

S&P Global Ratings bases its ratings on local and regional governments on the six main rating factors listed in the table above. Section A of S&P Global Ratings' "Methodology For Rating Non-U.S. Local And Regional Governments," published on July 15, 2019, summarizes how the six factors are combined to derive the foreign currency rating on the government.

Key Sovereign Statistics

Sovereign Risk Indicators. An interactive version is available at <https://www.spratings.com/sri>.

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Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Institutional Framework Assessments For International Local And Regional Governments, July 27, 2022
- Local And Regional Governments Outlook 2022: Life Without Central Government Crutches, July 13, 2022
- Credit Conditions Asia-Pacific Q3 2022: Costs Heighten, China Growth Tightens, June 28, 2022
- Global Ratings List: International Public Finance Entities 2022, June 4, 2022
- Credit Implications of New Zealand's Proposed "Three Water" Reforms, May 10, 2022
- Institutional Framework Assessment: New Zealand Local Governments, April 28, 2022
- Local Government Debt 2022: Rising Risks Keep Global Borrowing High, April 13, 2022
- New Zealand Local Government Funding Agency Ltd., March 3, 2022
- 25 Ratings In 25 Years: New Zealand Councils Prove Their Staying Power, Feb. 2, 2022
- Default, Transition, and Recovery: 2020 Annual International Public Finance Default And Rating Transition Study, Sept. 15, 2021
- Comparative Statistics: Asia-Pacific Local And Regional Government Risk Indicators, Sept. 1, 2021
- Ratings History List: Asia-Pacific Local And Regional Government Ratings Since 1975, May 29, 2020

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

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The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Hamilton City Council	
Issuer Credit Rating	AA-/Stable/A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Council Report

Item 12

Committee: Strategic Risk and Assurance Committee

Date: 14 December 2022

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager People and Organisational Performance

Report Name: Audit New Zealand Final Audit Plan 2021/22

Report Status	<i>Open</i>
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Purpose - *Take*

1. To present the final Audit Plan 2021/22 to the Strategic Risk and Assurance Committee for the 2021/2022 Annual Report.

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Executive Summary - *Whakaraapopototanga matua*

3. The draft Audit Plan from Audit New Zealand for the 2021/2022 Annual Report was presented to the Strategic Risk and Assurance at the 9 June 2022 meeting.
4. We have received the final Audit Plan on 14 October 2022.
5. The final Audit Plan is included in **Attachment 1**.
6. Staff consider the matter covered in the report is of low significance and that the recommendations comply with Council's legal requirements.

Discussion – *Matapaki*

7. The final Audit Plan is included in **Attachment 1**.
8. Based on the planning work and discussions to date, below are the main audit risks and issues that have been identified to be the main focus areas during the audit.
 - i. Revaluation of assets - revaluation year.
 - ii. Fair value assessment for assets - non-revaluation year.
 - iii. Software as a Service (SaaS).
 - iv. Major capital projects.
 - v. The risk of management override.
 - vi. Rates.
 - vii. Three waters reform.
 - viii. Revaluation of investment property.

9. It is important to note that due to the continuing impact of Covid-19 and the application of our job sequencing framework, there may be disruptions that will require changes to the timetable proposed in **Attachment 1**. If this arises it would be reported to Members.

Financial Considerations - *Whaiwhakaaro Puutea*

10. The cost of this engagement is funded through the 2021 – 2031 Long Term plan.

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

11. Staff confirm that matters in this report complies with Council's legal and policy requirements.
12. 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*

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

Risks - *Tuuraru*

17. There are no known risks associated with the decisions of this report.

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

Significance18. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report has low significance.

Engagement

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

Attachments

Attachment 1 - Audit New Zealand Final Audit Plan 2021/22 .

Audit Plan

Hamilton City Council

For the year ended 30 June 2022

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 ended 30 June 2022. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	10
Our audit process	11
Reporting protocols	17
Audit logistics	18
Expectations	21

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.

Nāku noa, nā



Clarence Susan
Appointed Auditor
14 October 2022

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 audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
Revaluation of assets - revaluation year	
<p>The City Council periodically revalues its asset classes. 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 the 3 Waters, Water Treatment Plant, Wastewater Treatment Plant, Refuse, Land, and Building assets during the 2021/22 financial year.</p> <p>The asset classes being revalued are a significant portion of Council's assets and there is a risk that errors in the inputs, process or calculation could result in a material misstatement.</p>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • reviewing the information and instructions provided to the valuer; • assessing relevant controls that management has put in place for the valuation; • evaluating the qualifications, competence and expertise of the external valuer used; • reviewing the method of valuing the assets and assessing if the applicable method used is in line with public sector accounting standards (PBE IPSAS 17, <i>Property, Plant and Equipment</i>), including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; and • assessing whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.

Audit risk/issue	Our audit response
Fair value assessment for assets - non-revaluation year	
<p>A revaluation is not scheduled for the following asset classes during the 2021/22 financial year:</p> <ul style="list-style-type: none"> • Parks and Gardens; and • Roading. <p>Fair value assessments will need to be completed for these classes of assets to determine if there is a material difference between their carrying amount and their fair value.</p> <p>If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the City Council to comply with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p> <p>We encourage the City Council to perform this assessment early so that if a revaluation is required, there is time to complete it without impacting on the annual report process.</p> <p>We consider this to be an audit risk due to the significance of the carrying value and the judgements involved in assessing whether fair value is materially different to the carrying value.</p>	<p>We will review the City Council's assessment of fair value against carrying value for each asset class not scheduled to be revalued this year. We will consider the reasonableness of assumptions and judgements applied in making the assessments.</p>

Audit risk/issue	Our audit response
Software as a Service (SaaS)	
<p>Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS or IPSAS accounting standards.</p> <p>The IFRS Interpretations Committee recently published decisions clarifying how arrangements in respect of a specific part of cloud technology, SaaS, should be accounted for. The agenda decisions must be applied by for-profit entities. For PBEs, the agenda decisions can be referred to in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS.</p> <p>The City Council should consider whether or not their accounting policy is consistent with the Committee's decision and should consider whether costs relating to SaaS are correctly accounted for and appropriate disclosures are included in the financial statements of the City Council.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> • shall be capitalised as an intangible asset and amortised; or • expensed when incurred; or • expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront). <p>Changes to the classification of asset balances as a result of the IFRIC's decision should be treated as a change in accounting policy and accounted for retrospectively. This would require a restatement of prior period amounts in accordance with PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	<p>We will perform a review of the City Council's assessment of whether a change in accounting policy is required and whether costs relating to SaaS are correctly accounted for.</p> <p>We will also assess the appropriateness of any associated disclosures that result from the City Council's review.</p>

Audit risk/issue	Our audit response
Major capital projects	
<p>The City Council continues to have a significant ongoing capital programme.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> • project costs are reviewed to ensure these are appropriately classified as capital or operational in nature; • work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; • WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; • asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion; • the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and • capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	<p>We will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> • the correct classification of costs as either capital or operational in nature; • appropriate capitalisation point for completed assets, including transfers from work in progress; • the reasonableness of depreciation rates and useful lives applied to asset components; and • the disclosures included within the financial statements, including those relating to capital commitments.

Audit risk/issue	Our audit response
The risk of management override	
<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 risk on every audit.</p>	<p>Our audit response to this risk will include:</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.
Rates	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The City Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p>	<p>For 2021/22 we will again consider the City Council's compliance with aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).</p> <p>We will also review selected differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The City Council is responsible for ensuring that it complies with applicable laws and regulations.</p>

Audit risk/issue	Our audit response
Three waters reform	
<p>The Three Waters Reform programme is expected to result in structural changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector. This could have a significant impact on the structure of the Group.</p> <p>On 27 October 2021, the Local Government Minister announced that central government will proceed with the three waters service delivery reforms using a legislated “all in” approach. The three waters reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities, with effect from 1 July 2024.</p> <p>There is still a number of uncertainties associated with the new three waters delivery model including the mechanism for how assets will be transferred to the newly established entities, and the control and governance of these entities. Notwithstanding the current uncertainty the announcement once legislated will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024.</p> <p>The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader’s attention to Council’s disclosure about the Three Waters Reform programme.</p>

Audit risk/issue	Our audit response
Revaluation of investment property	
<p>The fair value of the City Council's investment properties needs to be assessed annually in accordance with the requirements of PBE IPSAS 16, <i>Investment Property</i>.</p> <p>Given the volatility in the property market there is potential for large valuation movements year on year, which need to be accounted for within the Statement of Comprehensive Income.</p> <p>Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of the investment property.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess relevant controls that management has put in place for the valuation; • obtain an understanding of the underlying data; • evaluate the qualifications, competence and expertise of the external valuer used; and • review the method of valuing the investment properties and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used.

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 City Council group (the group) comprises Hamilton City Council (parent), and its 100% owned subsidiary, Waikato Innovation Growth Limited Group.

The City Council's 50% share of its associate, Waikato Regional Airport Limited Group is equity accounted into the City Council 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 and performance information.

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 are both significant components of the group.

Each business activity/entity is referred to as a component. 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
Hamilton City Council (parent)	Full financial statement and performance information audit.
Waikato Regional Airport Limited group	Audit procedures on the fair value gain/loss on investment properties to obtain assurance that the share of this recognised in the group's financial statements is not materially misstated.

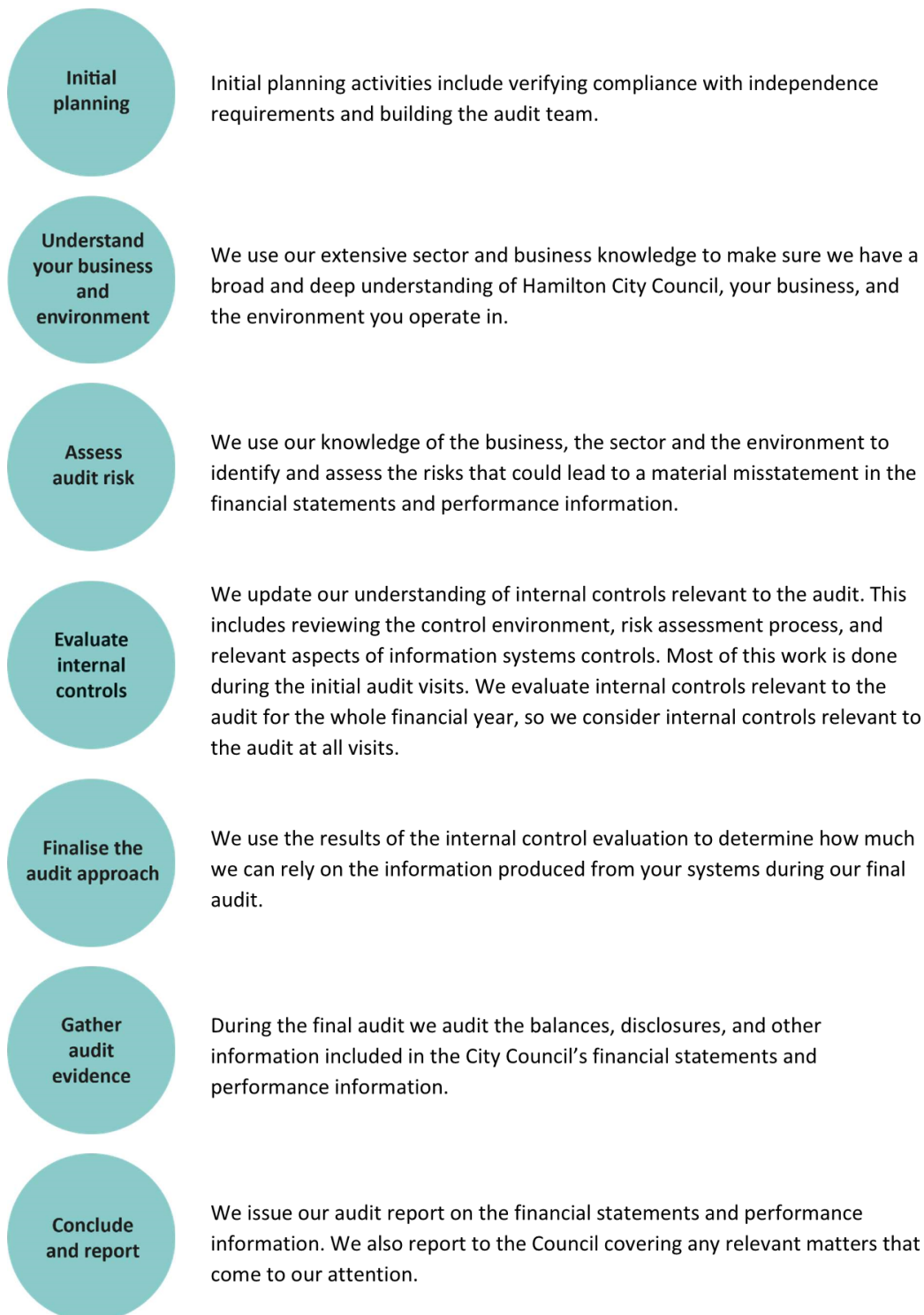
For those components determined not to be significant, we will perform analytical procedures at a group level to identify unexpected movements.

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



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

Financial statements materiality

For planning purposes, we have set **overall materiality** for the group financial statements at \$372,480,000 and the parent entity at \$363,000,000 based on budgeted total property, plant and equipment. We will only be applying this overall materiality to the carrying value of property, plant and equipment held at fair value, fair value gains/losses relating to revaluations of property, plant and equipment recorded in other comprehensive income, and revaluation reserve balances. This is subject to change once the actual results for the current year are available.

	\$000
Overall materiality – group	\$372,480
Overall materiality - parent	\$363,000
Specific materiality – group	\$8,800
Specific materiality – parent	\$8,100
Clearly trivial threshold - group	\$440
Clearly trivial threshold - parent	\$405

We have set a lower, **specific materiality** of \$8,800,000 and \$8,100,000 for all items in the group and parent financial statements respectively, not related to the carrying value of property, plant and equipment held at fair value.

A separate lower, specific materiality has also been determined for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements less than \$440,000 for group and \$405,000 for parent to be clearly trivial 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 service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

The materiality figures above:

- do not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence; and
- are subject to change once the actual results for the current year are available.

Materiality for service performance information

At an overall level, we assess whether the service 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 service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of Hamilton 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 measures that we have assessed as material and the materiality that we have set for planning purposes are set out in the table below. 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 percentage of real water loss from the water network infrastructure in the city.	8% of actual reported result
The median resolution time of urgent call-outs from the time that Council receives notification of the fault or unplanned interruption to the time that service personnel confirm resolution of the fault or interruption.	8% of actual reported result
Wastewater	
The number of dry weather wastewater overflows from the wastewater system.	8% of actual reported result
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 1 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 median resolution time for callouts from the time that the Council receives notification of the blockage or other fault to the time that service personnel confirm resolution of the fault or interruption.	8% of actual reported result
Transport	
The change from the previous financial year in the number of fatal and serious injury crashes on the local road network.	8% of actual reported result
The average quality of ride on Hamilton's sealed local road network, measured by smooth travel exposure.	8% 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 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 in the first instance.

We intend meeting on a monthly 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 (and the Council) 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
Naudé Kotzé	Audit Manager
Kay Oloro	2nd Audit Manager
Ferdinand Dasigao	Manager Information Systems Audit and Assurance
Matt Sarjeant	Assistant Manager

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



There is the possibility that, due to the continuing impact of Covid-19 and the application of our job sequencing framework, there may be disruptions that will require changes to the timetable proposed below. Where this arises, we will discuss a revised timetable with you.

Our proposed timetable is:

Draft Annual Report available for audit (including notes to the financial statements) with actual year-end figures	30 August 2022
Pre-final audit	05 September 2022
Final audit fieldwork begins (Audit team on-site until 21 October, Audit team leader on site until 28 October)	19 September 2022
Annual Report, incorporating all the amendments agreed to between us, including any Chair and Chief Executive's overview or reports.	28 October 2022
Verbal audit clearance given	18 November 2022
Report to Council issued (in draft)	15 December 2022
Final Report to Council issued (including management responses)	08 February 2023
Audit opinion issued	15 December 2022

AuditDashboard

In 2021, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard was well received and turned out to be an essential tool in completing our audit engagement remotely.

We will use AuditDashboard for transferring files as part of the audit for the current year engagement.

Expectations



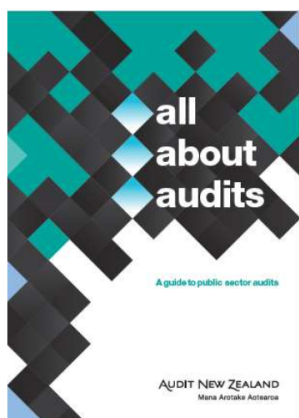
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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 upload all information requested by us to conduct the audit to AuditDashboard in accordance with the agreed timetable;
- management and staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable; and
- the annual report, 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. We have also published information to help explain the audit process:



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

PO Box 256
Waikato Mail Centre
Hamilton 3240
Phone: 04 496 3099
www.auditnz.parliament.nz



Council Report

Item 13

Committee: Strategic Risk and Assurance Committee
Date: 14 December 2022
Author: Julia Kofoed
Authoriser: Tracey Musty
Position: Insurance Lead
Position: Finance Director
Report Name: General Insurance Activity Update

Report Status	Open
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Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on the 2022/2023 insurance renewal.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Strategic Risk and Assurance Committee:
 - a) receives the report; and
 - b) notes the renewal of Council's general insurances.

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 premiums costs and market capacity.
4. Council's insurance policies have a common annual renewal date, with cover for this year placed and effective 1 November 2022. All existing policies have renewed except for the Liability Excess Layer Placement which, at the time of writing this report, had been extended as discussed in paragraph 25.
5. Overall premiums have increased 9% on expiring rates which falls within budgeted amounts. The increase is in line with market indications provided by Aon and other commercial insurance rate increases being experienced globally.
6. The insurance programme is regarded as a risk management tool to mitigate financial loss associated with unforeseen and significant adverse events.
7. Staff consider the matters in this report to have a low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Insurance market commentary

8. In the property market the pricing environment was competitive and healthy. Moderate increases continued, driven upward by inflation, supply chain challenges, and labour shortages. Improved insurer performance, increased capacity, and insurer focus on retention and growth had a dampening effect on these increases. Higher risk sectors, poor-performing risks, and natural catastrophe exposed risks experienced more significant price increases.
9. In the aftermath of Hurricane Ian, which, by early industry estimates, may amount to a US\$50-70bn insurance event, insurer conservatism strengthened. Globally, as the full market impacts materialise, a shift in pricing and capacity is widely expected to ripple across the primary and reinsurance market. As the reinsurance year runs from January to January, it is expected Council will feel premium impacts at next renewal after reinsurance treaties are re-negotiated.
10. A focus on valuations continued across the property market; updated replacement cost valuations were generally mandated with many insurers seeking an explanation of historical and current valuation approaches. Coverage restrictions are being imposed where replacement values are deemed inadequate.
11. In the liability market, conditions remained challenging and financial and professional lines had the highest pricing rate increase across major insurance products globally. Portfolios were heavily impacted by social inflation as well as IBNR (claims incurred but not reported) which drove a heightened focus on pricing adequacy and coverage terms. Insurer appetite and capacity remained strong for well-performing risks. Market conditions are expected to remain challenging in the future with high claims inflation expected to cause significant deterioration within long-tail portfolios. More emphasis on market relationships and quality of submissions is expected.
12. In the motor insurance market, appetite was healthy for well-performing risks. Underwriters continued to carefully evaluate risk differentiation, including telematics and other vehicle safety and driver training initiatives. Inflation and supply chain challenges continued to impact loss costs. Globally leading insurers are saying that damage repair costs for electrical vehicles runs approximately 25% higher than for internal combustion vehicles which is starting to impact the automobile liability insurance market.
13. Generally, for most lines of business, policy deductibles were stable; however, increases, and in some cases, minimum deductibles were applied to loss-active risks and designated poor-performing sectors.

2022/2023 Annual Policy Renewal

14. Council purchases its insurance programme as a collective through Co-Lab, the Waikato Local Authority Shared Service with 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 premiums costs and market capacity.
15. 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.
16. As part of the continued relationship with the global market, the Waikato Councils were represented with Aon at the overseas market presentations this year. These were well received and assisted with the continued availability of offshore capacity and a more in-depth and correct understanding of the role of local authorities in New Zealand have and the associated risks carried.

17. Material Damage and Business Interruption premiums for the 2022/2023 renewal year have increased 11%. This is driven by an approximate \$75M increase in the total declared values of insured assets for the period reflecting revised insurance valuations and completed capital work. The actual rate charged per dollar insured increased 6%. This increase was as projected by Aon and in line with prior years true rate increases.
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 plant, stock, contents, and equipment. Council takes a default position of insuring assets 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.
19. The Infrastructure Placement similarly increased 8% this year due mostly to an increase in insured values following a revaluation exercise of waters assets. The true rate increase was 3% in line with market expectations for this line of business. Local market support, following provision of improved data from Council, continues to provide competitive tension within the placement mitigating higher rating increases.
20. 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. Aon has undertaken loss modelling on a collective region wide basis to gain a current sense of the group's earthquake exposure in relation to the \$300M loss limit for the Infrastructure Placement. The results of the modelling suggest that the current limit purchased is still sufficient for the group.
21. Commercial Motor premium has decreased 3% however Council has renewed the policy with a lower market value (down \$1M compared to prior insurance year). The true rate change for this year's insurance premium is a 6% increase based on declared values.
22. Council holds a Fine Arts Policy, underwritten through Lloyd's of London which provides cover for the Waikato Museum's collections, the Central Library's heritage assets, and various pieces of public artwork based around Hamilton. Following a full revaluation exercise in 2020/2021, declared values have remained consistent and no significant change to rate has been experienced this renewal. However, the insurers have applied a \$100K deductible for future losses arising from windstorm in respect of items displayed outdoors. This is an underwriting response to a \$160K claim paid earlier in the year where an item was damaged because of the February storm event. Other loss types remain subject to a \$10K excess.
23. The market for Professional Indemnity insurance has been a difficult space for local authorities over the past few years with large premium increases experienced at prior renewals. This year's premium has increased 10% in line with market indications, stabilising local capacity, and increased growth within Hamilton City. Deductible levels remain the same under the policy but for multi-unit claims where the insurer previously applied a maximum multi-unit deductible up to \$500K. This has now increased to \$1M.
24. Council's remaining liability policies have increased approximately 5% to 11% generally reflecting market indications. Council continues to work with Aon and our lead liability insurer to improve communication, notifications and the quality of information provided at renewal.

25. In addition to the locally placed professional indemnity and general liability policies which contain limits of \$15M respectively, Council purchases an excess layer with a combined limit of \$160M. At the time of writing this report this policy had not renewed. The 2021/2022 policy had instead been extended for two months effective 1 November 2022 on a pro rata basis. This is due to one of the overseas markets who previously provided capacity giving instructions to no longer write any public sector business on a global basis. This is not a specific issue to New Zealand Councils but is a global directive for all their business in these sectors. Due to the late notice, an extension to existing cover was granted to allow Aon time to secure alternative capacity and provide continuity of cover to Council. Aon will provide a verbal update on this placement at this meeting.
26. Council does not hold liability insurance for cyber related incidents and has not added cyber insurance into this year's renewal. Staff are engaged in several projects to improve our security position. The cyber insurance market remained challenging but showed some signs of emerging stability. Insurers continue to intensify their scrutiny of organisation's overall cyber security position and quality underwriting submissions are required. Staff will continue to review purchasing cyber insurance annually and the investment in security will support any future submissions.
27. Excluding the Liability Excess Layer Placement, all Council's insurance policies have renewed effective 1 November. Aon have not advised any significant changes to Council's insurance policy conditions for the 2022/2023 renewal year other than those noted in this report.
28. Premiums are summarised in the table below by policy type. Figures are inclusive of all applicable levies and exclusive of GST. The Actual Rate Change % refers to the change in rate charged by the insurer per dollar insured. This excludes the effect of the change in Council's declared values. Date references are for the insurance renewal year, effective 1 November. The Liability Excess Layer Placement premium is an estimated value to be confirmed when cover is renewed.

Policy	2021/2022 Premium	2022/2023 Premium	Premium Change %	Actual Rate Change %
Physical damage policies:				
Material Damage & Business Interruption	\$ 1,472,703	\$ 1,635,260	11%	6%
Infrastructure Placement	\$ 787,056	\$ 852,450	8%	3%
Commercial Motor	\$ 149,489	\$ 145,305	-3%	6%
Fine Arts	\$ 105,056	\$ 104,842	0%	0%
Annual Contract Works	\$ 25,620	\$ 26,225	2%	
Boiler Explosion	\$ 3,242	\$ 3,474	7%	
Liability policies:				
Professional Indemnity	\$ 389,113	\$ 428,023	10%	
General Liability	\$ 73,376	\$ 80,713	10%	
Liability Excess Layer	\$ 40,248	\$ 42,260	5%	
Employers Liability	\$ 1,224	\$ 1,287	5%	
Statutory Liability	\$ 7,640	\$ 8,024	5%	
Fidelity/Crime	\$ 29,388	\$ 32,532	11%	
Aviation Liability	\$ 1,446	\$ 2,494	73%	
Other policies:				
Personal Accident	\$ 1,231	\$ 1,334	8%	
Business Travel	\$ 140	\$ 392	180%	
Total	\$ 3,086,970	\$ 3,364,613	9%	

Financial Considerations - *Whaiwhakaaro Puutea*

29. 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, premiums are \$3.2M against a budgeted amount of \$3.6M.

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

30. Staff confirm that this matter complies with Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

31. 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').
32. 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.
33. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 14 December 2022
Author: Michelle Hawthorne
Authoriser: David Bryant
Position: Governance and Assurance Manager
Position: General Manager People and Organisational Performance
Report Name: Compliance Reporting Update

Report Status	<i>Open</i>
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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.
2. To inform the Strategic Risk and Assurance Committee of any matters of significant non-compliance with the Privacy Act 2020.
3. To inform the Strategic Risk and Assurance Committee of the status of Council's policy reviews.

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Executive Summary - *Whakaraapopototanga matua*

5. There are no protected disclosures or instances of 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**.
8. Staff consider the matters in this report have a low level of significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

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

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. All reported allegations are recorded in a Fraud Activity Register.
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.
15. No incidents of fraud or corruption have been established since the Strategic Risk and Assurance Committee last met.

Privacy Act 2020

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

Council and Management Policy Schedule

17. 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 25 November 2022. The details of the list can be discussed at the Committee meeting.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

19. 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*

Significance

25. 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.

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Policy List - Compliance Report - as at 25 Nov 2022

Strategic Risk and Assurance Committee – Policies Update as at 25 November 2022

Item 14

Attachment 1

KEY
In progress
Paused/awaiting prioritisation or resourcing
Current

COUNCIL POLICIES						
Committee	Policy	Sponsor/ Group	Last reviewed date	Next review date	Status	Related Legislation
Council	Corporate Hospitality and Entertainment Policy	GM POP	Jul-15	Jul-18	Review paused	n/a
Infrastructure and Transport	Hamilton Gateways Policy	GM Infrastructure Operations	Dec-15	Oct-18	Review scheduled for Jan-July 2023	n/a
Infrastructure and Transport	Streetscape Beautification and Verge Maintenance Policy	GM Community & GM Infrastructure Ops	Nov-12	Nov-18	Review scheduled for Jan-July 2023	n/a
Community & Natural Environment	Citizens Initiated Referenda Policy	GM POP	Jul-16	Jul-19	Review paused	Local Electoral Act 2001
Community & Natural Environment	Community Occupancy Policy	GM Community	Nov-18	Apr-21	Review in 2023	n/a
Community & Natural Environment	Open Space Provision Policy	GM Community	Jun-18	Jun-21	Under review	n/a
Community & Natural Environment	TAB Board Venue Policy	GM Growth	Dec-18	Dec-21	Review scheduled for early 2023	Racing Industry Act 2020
Economic Development Strategic Growth and District Plan	Business Improvement District (BID) Policy 2019	GM Growth	Jun-19	Jun-22	Under review	n/a
Economic Development Strategic Growth and District Plan	Sale and Disposal of Council Land Policy	GM Growth	Sep-19	Jul-22	Due for review	n/a
Community & Natural Environment	Class 4 Gambling Venue Policy	GM Growth	Sep-19	Sep-22	Review scheduled for early 2023	Gambling Act 2003
Council	Delegations to Positions Policy	GM POP	Jun-21	Oct-22	Under review	n/a
Economic Development Infrastructure and Transport	Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy	GM POP	Jun-21	Nov-22	Current	Local Government Act 2002
Strategic Growth and District Plan	Dangerous and Insanitary Buildings Policy	GM Growth	May-18	May-23	Current	Building Act 2004
Strategic Risk & Assurance	Growth Funding Policy	GM Growth	Jun-21	Jun-23	Current	n/a
	Risk Management Policy	GM POP	Aug-20	Jun-23	Current	n/a
Council	Significance and Engagement Policy	GM Strategy and Communications	Aug-20	Aug-23	Current	Local Government Act 2002
Community & Natural Environment	Smokefree and Vapefree Outdoor Areas Policy	GM Community	Sep-20	Sep-23	Current	n/a
Economic Development Infrastructure and Transport	Municipal Endowment Fund Policy	GM Growth	Sep-20	Sep-23	Current	n/a
Community & Natural Environment	Three Waters Connections Policy	GM Infrastructure Operations	Sep-20	Sep-23	Under review	n/a
Community & Natural Environment	Community Assistance Policy	GM Community	Oct-20	Oct-23	Current	n/a
Community & Natural Environment	City Honours Policy	GM Strategy and Communications	Oct-20	Oct-23	Current	n/a
Community & Natural Environment	Psychoactive Substances (Local Approved Products) Policy	GM Growth	Oct-18	Oct-23	Current	Psychoactive Substances Act 2013
Community & Natural Environment	Domain Endowment Fund Policy	GM Community	Nov-20	Nov-23	Current	n/a
Community & Natural Environment	Trading in Public Places Policy	GM Community	Dec-20	Dec-23	Current	n/a
Economic Development Strategic Growth and District Plan	International Relations Policy	GM POP	Mar-21	Mar-24	Current	n/a
Finance and Monitoring	Development Contributions Policy	GM Growth	Jun-22	Jun-24	Current	Local Government Act 2002
Finance and Monitoring	Funding Needs Analysis Policy	GM POP	Jun-21	Jun-24	Current	Local Government Act 2002
Finance and Monitoring	Investment and Liability Management Policy	GM POP	Jun-21	Jun-24	Current	Local Government Act 2002
Finance and Monitoring	Rates Remissions and Postponements Policy	GM POP	Jun-22	Jun-24	Current	Local Government Act 2002
Finance and Monitoring	Rating Policy	GM POP	Jun-21	Jun-24	Current	Local Government Act 2002; Local Government Rating Act 2002
Finance and Monitoring	Revenue and Financing Policy	GM POP	Jun-21	Jun-24	Current	Local Government Act 2002
Community & Natural Environment	External Funding Applications Policy	GM Community	Jun-21	Jun-24	Current	n/a
Economic Development	Freeholding of Council Endowment Land Policy	GM Growth	Aug-21	Aug-24	Current	Hamilton Domain Endowment Act 1979
Council	Delegations to officers specific to the Resource Management Act 1991	GM Growth	Oct-21	Oct-24	Current	Resource Management Act 1991
Community & Natural Environment	Monuments and Memorial Art Policy	GM Community	Nov-21	Nov-24	Current	n/a
Community & Natural Environment	Permanent Public Art Policy	GM Community	Nov-21	Nov-24	Current	n/a
Economic Development	Event Sponsorship Policy	H3 & Events	Mar-22	Mar-25	Current	n/a

[D-4220057](#)

Update as at 25 Nov 2022

Community & Natural Environment	Naming of Roads, Open Spaces and Council Facilities Policy	GM Infrastructure Ops and GM Growth	Jun-22	Jun-25	Current	n/a
Infrastructure and Transport	Hamilton Parking Policy	GM Infrastructure Operations	Aug-22	Aug-25	Current	n/a
Community & Natural Environment	Disability Policy	GM Community	Sep-22	Sep-25	Current	n/a
Council	Elected Members Support Policy	GM POP	Nov-22	Nov-25	Current	Local Government Act 2002
Council	Climate Change Policy	GM Strategy and Communications	Jun-22	Jun-27	Current	n/a
Community & Natural Environment	Dog Control Policy	GM Community	May-15	Feb-23	Current	Dog Control Act 1996
TBC	(Proposed) Procurement Policy	GM POP	Proposed	proposed	Under consideration	
Community & Natural Environment	(Proposed) Tree Policy	GM Community	proposed	proposed	Under consideration	n/a
TBC	(Proposed) Bi-lingual Policy	GM Strategy and Communications	proposed	proposed	Under consideration	n/a
Community & Natural Environment	Provisional Local Alcohol Policy (LAP)	GM Community	consideration	consideration	Under consideration	Sale and Supply of Alcohol Act 2012

OTHER GOVERNANCE DOCUMENTS						
Council Committee	Document	Sponsor/ Group	Last review date	Next review date	Status	Related legal provisions
Council	Committee Terms of Reference and Governance Structure	People and Organisational Performance	Nov-22	Nov-25	Current	Local Government Act 2002
Council	Elected Member Code of Conduct	People and Organisational Performance	May-22	May-25	Current	Local Government Act 2002

MANAGEMENT POLICIES						
Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Policy Owner Name
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	Under review	Information Systems	Susan Souren/Chris Mardon
Herbicide Use	To provide high level guidelines around the use of herbicides in the management of unwanted vegetation.	Mar-15	Mar-18	Under review	City Parks	Maria Barrie
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 the health of people who do not smoke, or who do not wish to smoke.	Oct-16	Mar-20	Under review	People, Safety & Wellness	Marie Snowball
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.	Mar-17	Jul-20	Under review	Finance	Igor Magud
Lighting on Parks	To provide clear guidelines to inform decision making around which Hamilton City parks will be lit to enable their safe night-time use and to specify the manner in which lighting will be provided.	Aug-17	Aug-20	Due for review	Parks & Open Spaces	Luke Archbold
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.	Mar-18	Mar-21	Under review	People, Safety & Wellness	Dan Finn
Harassment, Bullying 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.	May-18	May-21	Under review	People, Safety & Wellness	Dan Finn
Asset Management	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-18	Jun-21	Under review	Programme Manager, Assets Strategy	Paul Gower
Treasury	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-21	Under review	Finance	Tracey Musty
Museum Collection	To guide the growth, development and management of the Museum's collection.	Jun-18	Jun-21	Under review	Museum	Anita Robinson

Unreasonable Customer Conduct Policy	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	Sep-19	Sep-21	Under review	Customer Services	Michelle Kerbers
Customer Complaints Policy	To set out Council's commitment to providing a robust, transparent mechanism for members of the public to make a complaint regarding the conduct, standard of service, actions or lack of action by Council, services or staff.	Sep-19	Sep-21	Under review - to be replaced	Customer Services	Michelle Kerbers Kelvin Powell Paul Blewman
Surveillance Camera	To outline the guidelines for Council's collection, storage and use of images collected.	Oct-18	Oct-21	Under review	City Safe Governance and Assurance	Michelle Hawthorne
Execution of Documents	To provide procedure for execution and signing of documents having legal significance.	Nov-19	Nov-21	Due for review		
Acceptable Use	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.	Jan-18	Nov-21	Under review	Information Systems	Susan Souren
Intellectual Property and Ownership Rights	To ensure Council retains ownership and rights of use of its assets, information, and intellectual property.	Dec-18	Dec-21	Due for review	People, Safety & Wellness	Dan Finn
Performance Management and Disciplinary	To ensure that HCC has a performance management and disciplinary process that is fair, transparent and applied consistently.	Dec-18	Dec-21	Under review	People, Safety & Wellness	Dan Finn
Code of Conduct	To set out the rules and expectations of staff while they are employees at Hamilton City Council.	Dec-18	Dec-21	Under review	People, Safety & Wellness	Dan Finn
Fencing	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	Feb-19	Feb-22	Under review	City Infrastructure/ Parks	Robyn Denton/ Maria Barrie
	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.					
Drug and Alcohol		Mar-19	Mar-22	Under review	People, Safety & Wellness	Dan Finn
	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	Tracey Musty
Capitalisation						
Compliance	To provide the principles and set the expectations for how the Council will manage and achieve compliance in all areas of its operations.	Apr-19	Apr-22	Due for review	Governance and Assurance	Michelle Hawthorne
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	Due for review	H3	Claire Toko
COVID-19 Vaccination Policy	To outline Council's position and requirements in relation to COVID-19 vaccinations to reduce the risk of contracting or transmitting COVID-19 for all Employees, Contractors and Volunteers.	Dec-21	Jun-22	Due for review	People, Safety & Wellness	Dan Finn
	To guide staff in identifying sensitive developments that could be of interest to Elected Members and SLT and sets out a mechanism to inform elected members of such sensitive developments.	Aug-19	Aug-22	Under review	Growth City	Blair Bowcott
Sensitive Development						
Encroachment Policy	To enable Council to reasonably control encroachments into Road Reserves and Reserves	Aug-19	Aug-22	Due for review	Transportation	Eeva-Liisa Wright
	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	Governance and Assurance	Michelle Hawthorne
Business Continuity						
Domestic Violence Leave	To set out Council's commitment in protecting the wellbeing of all staff who may be subject to or perpetrators of Domestic Violence.	Sep-19	Sep-22	Due for review	People, Safety & Wellness	Dan Finn
Visitor Control	To control visitors exposure to work place hazards and to control visitor access for all council buildings.	Oct-14	Oct-22	Due for review	Customer Service Key Accounts	Michelle Kerbers
Energy and Carbon Management	To minimise energy consumption and greenhouse gas emissions across the organisation in accordance with our sustainability principles.	Nov-19	Nov-22	Current	Facilities	Anita Oliver
Remuneration	Our remuneration supports our strategy to attract and retain talented people to achieve key community outcomes that help to improve the wellbeing of Hamiltonians.	Jun-20	Jun-23	Current	People, Safety & Wellness	Dan Finn
Flexible Working Arrangements	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.	Oct-20	Oct-23	Current	People, Safety & Wellness	Dan Finn
Leave	To provide guidance on how HCC manages Leave. This policy should be read in conjunction with the relevant employment agreement.	Oct-20	Oct-23	Current	People, Safety & Wellness	Dan Finn

Hamilton City Libraries Collection	To provide a framework for the development and management of Hamilton City Libraries' collections.	Nov-20	Nov-23	Current	Hamilton Libraries	TBC (Rebecca Whitehead acting)
Procurement Policy and Procedures Manual	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.	Dec-21	Dec-24	Current	Procurement	Igor Magud
Child Protection	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).	Jan-22	Jan-25	Current	People, Safety & Wellness	Dan Finn
Health and Safety	To contribute to all aspects of Hamilton City Council's organisational health and safety performance as part of a demonstratable commitment to continuous improvement in health and safety.	Jan-22	Jan-25	Current	People, Safety & Wellness	Dan Finn
Recruitment and Selection	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	Dan Finn
Litter Enforcement	To provide guidance to Council officers on issuing infringement notices under the Litter Act 1979.	Jan-22	Jan-25	Current	City Safe	Kelvin Powell
Civil Defence and Emergency Management	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.	Mar-22	Mar-25	Current	Risk & Emergency Management	Kelvin Powell
Staff Election Protocols	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	Governance and Assurance	Michelle Hawthorne
Media and Social Media	to ensure Council staff understand our process to take a coordinated and consistent approach to communicating with the public and media.	Jun-22	Jun-25	Current	Communications	Dan Silverton
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	Tracey Musty
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	Dan Finn
LGOIMA Charging Policy	To provide guidance on when and how HCC will charge for LGOIMAs and the considerations in doing so.	Aug-22	Aug-25	Current	Governance and Assurance	Michelle Hawthorne
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	Anita Oliver
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	Tracey Musty
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	Tracey Musty

MANAGEMENT POLICY WITH STRATEGIC RISK AND ASSURANCE COMMITTEE OVERSIGHT						
Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Policy Owner Name
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.	Mar-18	Mar-21	Under review	People, Safety & Wellness	Dan Finn
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.	Sep-22	Sep-25	Current	Finance	Igor Magud
Protected Disclosure	If an employee discovers information which they believe shows serious wrong doing within the organisation, there should be established procedures which enable the employee to disclose such information without fear of reprisal	Sep-21	Aug-22	Current	Governance and Assurance	Michelle Hawthorne

[D-4220057](#)

Update as at 25 Nov 2022

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.	Sep-19	Sep-22	Due for review	Governance and Assurance	Michelle Hawthorne
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DELEGATIONS MANAGEMENT POLICIES						
Delegations Management Policy Title	Purpose	Last reviewed and approved	Next Review Date	Status	Sponsor	Policy Owner Name
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.	Apr-14	Apr-17	Under review	Growth	Nicolas Wells
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.	Mar-17	Oct-20	Under review	Finance	Tracey Musty
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	Current	Community	Kelvin Powell
Delegations to Growth Officers and City Safe Unit Officers (excluding delegations under the RMA)	To set out the delegations from the Chief Executive to Council officers in Growth and the City Safe Unit.	Jul-21	Jul-24	Current	Growth	Blair Bowcott
Delegations to City Infrastructure Officers	To set out the delegations from the Chief Executive to Council Officers in City Infrastructure.	new	new	Under development	Infrastructure Operations	Eeva-Liisa Wright

Item 14

Attachment 1

Council Report

Item 15

Committee: Strategic Risk and Assurance Committee

Date: 14 December 2022

Author: Tracey Musty

Authoriser: David Bryant

Position: Finance Director

Position: General Manager People and Organisational Performance

Report Name: Organisational Improvement Report

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Strategic Risk and Assurance Committee on the status of Council's Organisational Improvement Register as at 30 November 2022.

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) and Council staff.
4. **Attachment 1** to this report is the Organisational Improvement Register. This contains a detailed breakdown of all external audit recommendations and recent (2021 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.
5. Recommendations arising from internal audits performed by Council staff, and older PwC internal audits (2020 and prior) will be reported on in the next meeting.
6. All 'in progress' or 'delayed or not yet started' items are actively monitored on a quarterly basis.
7. Staff consider the matters to have low significance and that the recommendations comply with Council's legal requirements.

Discussion – *Matapaki*

Organisational Improvement Register

8. The tables below summarise the status of the items contained within the attached Organisational Improvement Register.

Auditors	Complete	In progress	Delayed or not yet started	Total
PwC Internal Audits (2021 onwards)	12	24	27	63
Audit New Zealand Annual Audits	12	4	0	16
Audit New Zealand Long Term Plan Audit	2	1	0	3
OAG Conflicts of Interest Review	3	0	0	3
Total	29	29	27	85

Risk	Complete	In progress	Delayed or not yet started	Total
Low	6	8	12	26
Moderate	19	11	8	38
High	4	10	7	21
Total	29	29	27	85

9. In addition to the above, there are upcoming audits in the following areas (none of which currently have any outstanding audit recommendations):

Who	What	Last Done	Next Due
Waka Kotahi	Transportation Procedural Audit	2021	2023
PwC	Tax Compliance Review	December 2017	January 2023
International Accreditation New Zealand (IANZ)	Building Consent Authority accreditation assessment	May 2022	May 2024

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

11. Staff confirm that matters in this report comply with the Council's legal and policy requirements.
12. 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*

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

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - HCC Organisational Improvement Register Nov 2022

Hamilton City Council Organisational Improvement Register

Last update: 17/11/2022

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit - Property Management Process (D-3631981)	There is a lack of process notes, reliance on key people and current manual processes have resulted in data entry errors.	1.3	Implement a second person review of key information entered into the register.	19-Feb-21	Low	Claire Foster (Senior Property Advisor - Strategic Property)	Awaiting review of processes now in place by PwC	In progress
	With multiple teams and systems used to manage Commercial property, there is a need for good communication and sharing of information.	2.1	Work with the Facilities team to improve processes in respect of the provision of (or facilitation of access to) property inspection records.	19-Feb-21	Low	Claire Foster (Senior Property Advisor - Strategic Property)	Facilities do not send their inspection records. They have been developing "building on a page" reporting but this has not yet been developed for leased assets.	In progress
		3.1	Simplify the receipt of information	19-Feb-21	Low	Claire Foster (Senior Property Advisor - Strategic Property)		In progress
	The creation of monthly invoices for operating expense recoveries is very manual and prone to error.	3.2	Implement a review process of the draft invoices	19-Feb-21	Low	Claire Foster (Senior Property Advisor - Strategic Property)	Automation at this point is not possible, however this has been raised with IS and will be reviewed as Authority capability expands through upgrades. The Business Administrator has implemented better manual processes and these are available through Content Manager should there be a different person in the role in the future. Process also mapped in Promapp.	In progress
		3.3	Investigate implementing a regular monthly invoice and wash up at year end	19-Feb-21	Low	Claire Foster (Senior Property Advisor - Strategic Property)		In progress

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit -Business Case and Benefits Realisation (D-3633275)	Alternative solutions should be put forward when procuring goods and services	1.1	Seek registrations of interest or perform a market scan to identify software suppliers that may meet HCC requirements.	23-Feb-21	Low	Sarah Seel (PMO Manager - PMO)	Completed. Staff are required to go to market for all IT projects in line with the Financial Delegations Policy.	Complete (ready for re-auditing)
		1.2	Identify which software packages offer similar solutions and include analysis of these in the Business Case, including costs, functionality and fit.	23-Feb-21	Low	Sarah Seel (PMO Manager - PMO)		Complete (ready for re-auditing)
	Assumptions in financial models should be clearly stated	2.1	All assumptions on financial forecasts to be clearly stated alongside the financial model(s).	23-Feb-21	Moderate	Sarah Seel (PMO Manager - PMO)	Both the Lite and Full Business Case Templates (D-2228709/v21 and D-2227966/v21) have been updated with a section asking the author to include any assumptions that have been made in determining the budget estimates.	Complete (ready for re-auditing)
		2.2	Where HCC has developed alternative financial models, these should be reviewed by another analyst to check the assumptions and calculations.	23-Feb-21	Moderate	Sarah Seel (PMO Manager - PMO)	Not yet done. Due for completion by 30 June 2023.	Delayed or not yet started
	Addressing identified risks in financial models by tracking them specifically.	3.1	Label risks uniquely, and track those in any financial models, showing the effect of the risk on the model's outcome.	23-Feb-21	Low	Sarah Seel (PMO Manager - PMO)	Not yet done. Due for completion by 30 June 2023.	Delayed or not yet started
	The four community wellbeings are not specifically included in the Project Management Framework or Business Case template.	4.1	The four community wellbeings are explicitly outlined in the Project Management Framework or Business Case template.	23-Feb-21	Low	Sarah Seel (PMO Manager - PMO)	Both the Lite and Full Business Case Templates have been updated with a section asking the author to explain how the project will deliver on improving the wellbeing of Hamiltonians in terms of the four well-beings.	Complete (ready for re-auditing)
	When to use a business case is unclear.	5.1	A decision tree matrix is developed within the Project Management Framework to guide staff whether a business case should be used.	23-Feb-21	Low	Sarah Seel (PMO Manager - PMO)	The Project Management Framework (D-3196491) has been updated to guide staff on whether a Business Case is required.	Complete (ready for re-auditing)

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit - IBIS Breeze (D-3845480)	Calculations within the software	2.1.1	Council Finance team gain visibility of formulas and calculations being performed in Breeze to provide greater confidence in the consistency and accuracy of formula application.	2-Jun-21	Low	Candice Swanepoel (Financial Accounting Team Lead)	Currently being undertaken through Annual Plan 23/24 process.	In progress
	Changes in source data, sensitivities and assumptions	2.2.1	Council Finance team implement a policy and practice to utilise the locking feature for legacy batch sets to prevent further changes being implemented by mistake.	2-Jun-21	High	Candice Swanepoel (Financial Accounting Team Lead)	Completed. Once batch set changed to 'published' it cannot be edited.	Complete (ready for re-auditing)
		2.2.2	Outputs of Breeze to be developed to include summary details of the assumptions used.	2-Jun-21	High	Candice Swanepoel (Financial Accounting Team Lead)	Currently being undertaken through 2023/24 Annual Plan process.	In progress
		2.2.3	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 (e.g. inputs loaded/assumptions set/refresh run).	2-Jun-21	High	Candice Swanepoel (Financial Accounting Team Lead)	IBIS has yet to implement this functionality.	Delayed or not yet started
	Input validation controls	2.3.1	Breeze be further developed to restrict the user entered assumptions to a reasonable value such as between 0% and 100%, and warn the user if the range is outside expected parameters such as entering an inflation rate of 25%.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	Will be tested as part of the work undertaken for the 2023/24 Annual Plan.	In progress
		2.3.2	Breeze also be developed to default a rate (e.g. 0%) for all forecast periods when a new general assumption is created, rather than the user having to manually and individually add each period for the assumption to be applied.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	IBIS has yet to implement this functionality.	Delayed or not yet started
		2.3.3	A warning to the user is shown if a general assumption does not have any entry or is still set at the default rate.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	IBIS has yet to implement this functionality.	Delayed or not yet started
		2.3.4	When the business budgets are uploaded through the integration module, input totals should be reconciled automatically against the import file.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	IBIS has yet to implement this functionality.	Delayed or not yet started
		2.3.5	Develop total input reconciliation for the Psosa import within Breeze.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	Will be resolved as part of the 2023/24 Annual Plan process.	In progress
	Controls built into Breeze to check for errors	2.4.1	Breeze development integrate internal checks and present to the user such that they can have confidence the system is fully calculated and in balance.	2-Jun-21	Low	Candice Swanepoel (Financial Accounting Team Lead)	IBIS has yet to implement this functionality.	Delayed or not yet started
		2.4.2	There is a need to build in more comprehensive error checks and the error messages need to be user-friendly.	2-Jun-21	Low	Candice Swanepoel (Financial Accounting Team Lead)	IBIS has yet to implement this functionality.	Delayed or not yet started

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit - IBIS Breeze (D-3845480) Continued	Software output review procedures	2.5.1	Council Finance team set a timeline to reduce the level of manual recalculation currently being performed in line with the implementation of the recommendations included in this report to maximise the efficiency of the Breeze system.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	Manual calculations are still being performed. This is constantly reviewed, however until we are at a stage of being able to trust the system more, the manual calculations will remain.	In progress
	Scenario version control processes	2.6.1	User access controls are implemented immediately to restrict ability of users in creating, editing and deleting batch sets.	2-Jun-21	High	Candice Swanepoel (Financial Accounting Team Lead)	Completed. User access managed by Business Support Accountant Team Leader, who restricts user access for batch sets.	Complete (ready for re-auditing)
		2.6.2	Processes around creating, locking and deleting batch sets be formalised and documented.	2-Jun-21	High	Candice Swanepoel (Financial Accounting Team Lead)	Processes have been formalised, however they still need to be documented.	In progress
	Refresh interruption warning/ status not permanently displayed	2.7.1	The Breeze system be developed to present the user with a permanent warning if a recalculation has been interrupted, such as an icon or message in the status bar. The message must remain in place until resolved and be understandable for the user.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	Completed. Error message is emailed to the user, and the process is stopped.	Complete (ready for re-auditing)
	Consistency of application of the assumptions within the software	2.8.1	Periodically review the chart structure for assumptions and ensure that they are appropriate and consistent (e.g. similar operational expenditure items have consistent inflation assumptions applied).	2-Jun-21	Low	Candice Swanepoel (Financial Accounting Team Lead)	As part of the 2023/24 Annual Plan process (and for all Annual Plans and Long Term Plans) the assumptions are reviewed for consistency.	Complete (ready for re-auditing)
		2.8.2	User access to change the chart structure be restricted to those Finance Team members that need the access.	2-Jun-21	Low	Candice Swanepoel (Financial Accounting Team Lead)	Completed- user access has been restricted.	Complete (ready for re-auditing)
	Speed of calculation and output production	2.9.1	Further development of the Breeze system to improve the speed of calculation and output production, enabling the system to be used for real time 'what if' scenario modelling.	2-Jun-21	High	Candice Swanepoel (Financial Accounting Team Lead)	While some minor fixes have been made to improve the speed of calculations, the system will never get to the point where it will be able to be used for real time 'what if' scenario modelling. Therefore request that this recommendation be removed.	Complete (ready for re-auditing)
	Reliance on third party to import data	2.10.1	Move the Psoda import process to being completed by the Council Finance Team.	2-Jun-21	Moderate	Candice Swanepoel (Financial Accounting Team Lead)	Testing of the import process being performed on 31 October 2022. Will be resolved as part of the 2023/24 Annual Plan process.	Complete (ready for re-auditing)

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit - Cybersecurity - Phase One (D-4225140)		1	For the identified critical business services refine the threat profile to prioritise roadmap initiatives to address immediate threats.	23-May-22	High	David Jordan (CIO - Information Services)	We have drafted a roadmap of initiatives. Further work to be done in the business.	In progress
		2	Develop a road map with specific details for the next 1 - 3 years	23-May-22	Moderate	David Jordan (CIO - Information Services)	Draft Roadmap has been developed but not matured or synthesised. Need roadmap to be agreed upon and funding secured.	In progress
		3	Review the current resource gaps and how these can be addressed	23-May-22	High	David Jordan (CIO - Information Services)	Two new resources are lined up to support us soon. Further resource needs are being identified to support roadmap.	In progress
		4	When updating the cybersecurity Strategy, align the strategic actions with the corresponding NIST guideline	23-May-22	Low	David Jordan (CIO - Information Services)	We have agreed to align with NIST. That said, we are expecting our Enterprise Technology Risk and Security manager in place soon and may update our alignment. On track for updating strategy in 2023.	In progress
		5	Ensure that security by design is incorporated throughout the technology lifecycle from procurement, development, operations and disestablishment.	23-May-22	Moderate	David Jordan (CIO - Information Services)	We have been making tactical incremental improvements to our technology lifecycle processes. This is work in progress and is part of our roadmap.	In progress
		6	Information services need to be part of the refresh of the BCPs and provide realistic RTO, RPOs that are currently realistic and understand from the business where these need to be improved and therefore instigate a process whereby over time the business required RTO, RPO are met based upon a cost/benefit assessment of the investment required.	23-May-22	High	David Jordan (CIO - Information Services)	Working with the business to identify BCP critical services and prioritised needs from IS. Currently work in progress.	In progress
PwC Internal Audit - Cybersecurity - Phase Two (D-4380424)		1	Redacted for security reasons.	26-Aug-22	High	David Jordan (CIO - Information Services)	Redacted for security reasons.	In progress
		2	Redacted for security reasons.	26-Aug-22	High	David Jordan (CIO - Information Services)	Redacted for security reasons.	In progress
		3	Redacted for security reasons.	26-Aug-22	High	David Jordan (CIO - Information Services)	Redacted for security reasons.	In progress
		4	Redacted for security reasons.	26-Aug-22	Moderate	David Jordan (CIO - Information Services)	Redacted for security reasons.	In progress
		5	Redacted for security reasons.	26-Aug-22	Moderate	David Jordan (CIO - Information Services)	Redacted for security reasons.	In progress

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit -Business Continuity Management (D-4469401)	The Business Continuity policy is not fit for purpose and a resilience governance framework is not in place.	1	Develop a Resilience Management Policy incorporating business continuity, crisis, emergency and incident, and protective security management.	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Due date 31 March 2023	In progress
		2	Establish resilience working and governance groups	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Due date 30 June 2023	Delayed or not yet started
		3	Development and implement a resilience training and testing programme.	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Due date 30 June 2024	Delayed or not yet started
	Align Council's enterprise-level Business Impact Assessment (BIA) risk assessment and the operational BIA	1	Review enterprise-level BIA to guide operational level BIA alignment.	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	PwC have been engaged to carry out this review. Due by 24 December 2022.	In progress
		2	Align operational-level BIA with enterprise-level BIA as part of routine BCM reviews and updates.	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Critical functions due by 30 April 2023 Enabling functions due by 31 July 2023.	Delayed or not yet started
	The Business Continuity Plan (BCP) should address key risks and dependencies highlighted by a BIA and Management should determine practical recovery strategies to guide investment, and detailed procedures to guide operation.	1	Refresh the BCP template	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Due date 30 March 2023.	Delayed or not yet started
		2	Establish resilience working and governance groups	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Due date 30 June 2023	Delayed or not yet started
		3	Development and implement a resilience training and testing programme.	22-Oct-22	High	Julie Ambury (Enterprise Risk Lead - Governance and Assurance)	Due date 30 June 2024	Delayed or not yet started

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit - Strategic Property Unit Review (D-4490466)	Greater detail and clarity required in respect of the purpose, function and activities of the Strategic Property Unit (SPU) and associated objectives/ key performance indicators	1.1	Prepare a comprehensive statement of the SPU's purpose, objectives and basis for opportunity assessment, to be confirmed and agreed between the SPU and Council leadership.	11-Nov-22	Moderate	Blair Bowcott (General Manager Growth) and Nicolas Wells (SPU Manager)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		1.2	Once increased detail regarding the purpose, function and objectives of the SPU are agreed, review dashboard reporting to reflect consistency with associated KPIs	11-Nov-22	Low	Nicolas Wells (SPU Manager)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
	Opportunities to explore options for increasing the capacity of existing team members to focus on strategic activities to benefit wider Council objectives and facilitate continuity/ succession planning	2.1	Prepare continuity planning including where internal resource can be used and identifying key contacts at external consultants where appropriate to ensure activities levels can be maintained with minimal interruption in the event of the absence of an SPU team member.	11-Nov-22	Low	Nicolas Wells (SPU Manager)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		2.2	Upon completion of the wider Council property portfolio review and other internal unit management processes underway (which should include an assessment of potential future opportunity areas based on strategic direction), issue criteria for SPU engagement and prepare an internal SPU plan for identifying future opportunities proactively.	11-Nov-22	Moderate	Claire Foster (Senior Property Advisor - Strategic Property)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		2.3	Commence a process for identifying and assessing potential options to build future internal capability to maximise the longer term value of the extensive knowledge and experience of the existing SPU team.	11-Nov-22	Low	Blair Bowcott (General Manager Growth) and Nicolas Wells (SPU Manager)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		2.4	Consider options to re-allocate more of the less specialised business as usual tasks currently undertaken by the senior advisors in order to create increased capacity for strategic activities.	11-Nov-22	Low	Claire Foster (Senior Property Advisor - Strategic Property)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
PwC Internal Audit - Strategic Property Unit Review Continued	Opportunities for process/operational efficiency improvement.	3.1	Incorporate an outline structure for council/committee reports and an associated quality assurance process to be followed prior to submission.	11-Nov-22	Low	Claire Foster (Senior Property Advisor - Strategic Property)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		3.2	Conduct a subsequent review of the use and effectiveness of the new risk management system following full population/implementation.	11-Nov-22	Low	Nicolas Wells (SPU Manager)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		3.3	Schedule periodic reviews of the content of Promapp to ensure currency.	11-Nov-22	Low	Claire Foster (Senior Property Advisor - Strategic Property)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		3.4	Consider a periodic (e.g. 3 yearly) panel refresh for external consultants	11-Nov-22	Low	Nicolas Wells (SPU Manager)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		3.5	Continue to pursue efficiencies in invoicing processes to increase the capacity of the SPU team to undertake Strategic Property advisory activities.	11-Nov-22	Low	Kerryn Kane (Business Coordinator SPU)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		3.6	Institute and document a quality assurance process for the review of reports prior to submission, particularly in respect of numerical information, and ensure that completion is appropriately documented.	11-Nov-22	Moderate	Kerryn Kane (Business Coordinator SPU)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started
		3.7	Review the current checklists for projects/transactions within Promapp to facilitate their use as both a live status summary document throughout the course of a project and an annexure to reports/approval requests.	11-Nov-22	Moderate	Claire Foster (Senior Property Advisor - Strategic Property)	Report only just received in November 2022, no action undertaken yet.	Delayed or not yet started

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
Audit New Zealand Annual Audit Management Reports	No Organisational Business Continuity Plan (BCP) or IT Disaster Recovery (DR) Plan	E-2141	Develop and test the organisational BCP and IT Disaster Recovery Plan.	2015	Moderate	Tony Oxley (IS Operations Manager - Information Services)	Supplier has now been engaged to: 1. Review existing HCC ITSCM process and update in line with best practice 2. Review existing HCC BCP and update in line with best practice 3. Review existing HCC DR plan and update in line with best practice 4. Develop playbooks and schedule for core critical HCC Services 5. Identify 2x core critical business applications and dry run play books for DR The above framework is due to be delivered by the end of 2022. Following this a proposal will go to Council in the 2023 calendar year for approval of the investment (approx \$500k) required to then develop and implement the framework above.	In progress
	Fujitsu monthly reporting and monitoring	E-2802	A full review of Fujitsu reporting be done and that the reports be actively used to monitor and improve controls and ensure services are being provided.	2020	Moderate	Tony Oxley (IS Operations Manager - Information Services)	Recommendation completed and ready for re-auditing	Complete (ready for re-auditing)
	Management of access to City Council's onsite server and communications room	E-2985	Review and reduce access to the Level 8 server room and establish procedures to formalise IS approval and monitoring of access.	2021	High	Tony Oxley (IS Operations Manager - Information Services)	6 monthly reports received from Facilities for validation of bona fide access accounts, with associated remediation. Last completed March 2022. Any addition to these lists is facilitated by Facilities subsequent to receiving IS approval. Recommendation completed, with ongoing monitoring part of BAU.	Complete (ready for re-auditing)
	Review of network login accounts needed	E-2986	Cyclical reviews of network login accounts and user application accounts are performed to ensure that any redundant account access is removed.	2021	Moderate	Tony Oxley (IS Operations Manager - Information Services)	A process is now in place for active deterioration of accounts (removal of non-active accounts after a period of time). Integration with the Day Force project will also allow for closure of network accounts once an employee is classified as having left Council (resulting in fewer dormant accounts).	Complete (ready for re-auditing)
	Improvements to payroll systems	E-2994	Payroll supporting documentation is filed in a manner that can be easily retrieved. Processes and controls should be reviewed on a regular basis. This will identify any gaps in the system and provide an opportunity for the Council to strengthen their controls.	2021	Moderate	Dan Finn (People, Safety and Wellness Manager)	Day Force will be our new HRIS Platform, which includes Payroll and Workforce Management (WFM) plus a number of other modules that support the employee life cycle. As part of this implementation, payroll controls will be reviewed and supporting documentation will consistently be filed in a manner that can be easily retrieved. Once introduced, this recommendation by Audit NZ can be closed.	In progress
	Manual processing of weekly timesheets	E-2789	Council implements an online timesheet function for processing weekly timesheets. This will reduce the risk of timesheet information being entered incorrectly into the system and serve as an efficient way to process weekly pay runs.	2019	Moderate	Dan Finn (People, Safety and Wellness Manager)	Day Force will be our new HRIS Platform, which includes Payroll and Workforce Management (WFM) plus a number of other modules that support the employee life cycle. As part of this implementation, electronic time sheeting will replace the manual processes that are associated with our present payroll system. Once introduced, this recommendation by Audit NZ can be closed.	In progress

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
Audit New Zealand Annual Audit Management Reports Continued	Improve data for water and wastewater treatment plants	E-2790	Council needs to continue to improve the quality of the water and wastewater treatment plants asset data. This will reduce the risk that assets are valued on inaccurate assumptions, such as the remaining useful life of the assets.	2019	Moderate	Maire Porter (Unit Director Three Waters - City Waters)	Through the Three Waters Reform Project 'Asset Data System Improvement Project' we undertook scope item HCC 23 Integration of Treatment Plant Assets in MC system with IPS, to allow for financial management alignment. This project achieved an improvement in data quality by ensuring that the financial fixed asset register matches the asset database for treatment plant and reservoir assets, provides a single source of truth for asset data (IPS), ensures that data is componentised to the asset level as per Audit NZ's requirements. This project has resulted in an increase in the asset data confidence rating from a grade C to a B (reliable), for treatment plant and reservoir assets as shown in the 2022 Revaluation report.	Complete (ready for re-auditing)
	Building valuation - confidence rating grade	E-2987	Management address the areas for improvement identified in the building valuation report. Management consider the impact of the grade assigned to the valuation and whether it is appropriate when concluding on the valuation.	2021	Moderate	Anita Oliver (Facilities Unit Manager - Facilities)	Since the previous revaluation, an audit process for asset dimensions has been established and the results from this saw our confidence in asset data improve from a grade C (uncertain) to a B (reliable). Discrepancies between some installation and acquisition dates were also reviewed, alongside an external consultant. As a result of this, some of the acquisition dates have been amended appropriately, moving our confidence in these categories from a C to a B grade. These changes moved the total confidence rating for the revaluation to a B (reliable). This has been reviewed by an external consultant, who peer reviewed the revaluation report, who agreed with the rating.	Complete (ready for re-auditing)
	Building valuation - appropriateness of valuation methods for some buildings	E-2988	Management to ensure that appropriate valuation methods are used in determining the value of buildings.	2021	Moderate	Anita Oliver (Facilities Unit Manager - Facilities)	A new provider, Opteon Technologies Limited, has been used to provide the values for 48 buildings that were identified as having potential to be sold on the open market. Upon reviewing these properties, Opteon determined whether a Fair Market Value (FMV) or Optimised Depreciated Replacement Cost (ODRC) approach would be most appropriate for each building. Going forward, a review of these buildings will be completed to determine if using the Market Value approach is still appropriate or whether they should be included with the buildings that use a "bottom-up" DRC methodology.	Complete (ready for re-auditing)
	Building valuation - cost adjustment factor for buildings	E-2989	Management review calculations used in building valuation reports and confirm inputs are consistent with the documented valuation methodology. Management to review any movements between the date of indices used and year end. Management should consider whether these movements are significant and conclude whether the valuation report still reflects fair value.	2021	Moderate	Anita Oliver (Facilities Unit Manager - Facilities)	The calculations used to determine the cost adjustment factor (CAF) were reviewed and confirmed that the inputs used are consistent with the documented valuation methodology. The movements of indices between the last available data set from Stats NZ (December 2021) and the date of the revaluation (April 2022) were reviewed. From this it was determined that using projected index figures for March 2022 to calculate CAF would be appropriate, due to the significant increase in costs over the previous 12 months. This decision was made after discussions with the Asset Strategy Team and external consultant who was peer reviewing the revaluation.	Complete (ready for re-auditing)

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
Audit New Zealand Annual Audit Management Reports Continued	Approval of work in progress to be capitalised	E-2990	Formal reviews and approvals are performed and captured before completed templates are submitted to Finance for recording in the financial system.	2021	Moderate	Paul Gower (Programme Manager - Assets Strategy)	Capitalisation Taskforce has been meeting to oversee improvements to capitalisation of new assets. Training has been developed and trialled for project managers and a Capitalisation Approval form has been developed for use with relevant projects.	Complete (ready for re-auditing)
	Property, plant and equipment work in progress	E-2991	Council engage with service providers on a regular basis to obtain as-built data as soon as possible after project completion.	2021	Moderate	Paul Gower (Programme Manager - Assets Strategy)	A cross-organisational Capitalisation Taskforce has been established to improve capitalisation of new assets. The Taskforce has been overseeing improvements to the organisational system and has resulted in: - additional resources being sourced for capitalisation activities (this is continuing as appropriate resources are identified and recruited) - improvements to business processes and tools to support capitalisation tracking - remapping of processes and documentation - clarification of roles and responsibilities with project manager training being developed and progressively delivered.	Complete (ready for re-auditing)
	Transport revaluation recommendations from Beca	E-2992	Management to address the areas for improvement identified in the transportation valuation report.	2021	Moderate	Gordon Naidoo (Unit Director - City Transportation)	Staff are focusing on continuous improvement with RAMM data and data collection. Staff have also undertaken to seek training and set up systems within RAMM to do more regular in-house valuations of the assets. This matter will be able to be closed off when the next transport revaluation is performed by Audit NZ (currently due 30 June 2024).	Complete (ready for re-auditing)
	Transport revaluation - use of indices to be reviewed	E-2993	The continued use of indices to determine replacement costs is investigated in the next valuation of transportation assets and that, where indices are used, the replacement costs should be compared to recent roading contract costs.	2021	Moderate	Gordon Naidoo (Unit Director - City Transportation)	Staff engaged an external consultant to review the indices. These were also compared with Auckland and Tauranga City Councils. There have been some changes made, and the new rates will be used in the new 10 year transportation contract. The movement in the rates following the review was not significant enough to trigger an early revaluation of the transportation assets in 2022.	Complete (ready for re-auditing)
	Bond and deposits register contains long outstanding bonds	E-2995	The register should be reviewed for aged bonds and deposits. The register should be cleared for any bonds and deposits that are no longer applicable or held.	2021	Low	Sarah Vaz (Accounting Manager - Finance)	Work is underway in the Finance and Planning units to identify bonds held for longer than the statutory deadline (8 years). These bonds will either be released to the customer, or retained by Council and allocated to the various units that will be required to undertake remedial work arising from the resource consent conditions.	In progress
	Capital commitments	E-2996	Management to investigate further to determine why the capital commitment register does not reconcile with the financial statements.	2021	Moderate	Sarah Vaz (Accounting Manager - Finance)	Over the past six months the Finance unit (including Procurement) has focused on tidying up the contracts register. This focus will continue with more resourcing allocated to resolving historic issues in the register, and ensuring data entered going forward is accurate. The register is now in an auditable state and no issues were identified in the audit of capital commitments during the 2022 final audit. This matter can now be cleared.	Complete (ready for re-auditing)

Report	Focus area/ Issue	ID number	Recommendation	Date raised	Risk	Owner	Update (Q1 2023)	Status
Audit New Zealand Long Term Plan Audit (2021-31)	Funding from Waka Kotahi NZ Transport Agency	E-2820	Management to revisit their financial forecasts when the Waka Kotahi funding allocation is approved and, if required, update these as part of the Annual Plan process.	2021	Moderate	Martin Gould (Strategic Transport Activity Leader - City Transportation)	Staff have continued to monitor approved funding from Waka Kotahi, any differences have been reported and addressed through either the Finance Committee process or addressed through Annual Plan adjustments. Matter able to be cleared during next LTP audit.	Complete (ready for re-auditing)
	Cost savings	E-2821	Council implements adequate financial reporting processes to ensure that LTP costs savings are monitored and reported appropriately and consistently to the Council throughout the period of the long-term plan.	2021	Moderate	Julie Sanderson (Transformation Manager - Transformation)	Efficiency savings are included as budgeted line items within each area of Council. Where actual savings are identified, these are coded to this area and compared to budgeted savings targets. This information is presented as part of the regular Finance Committee reports. Matter able to be cleared during next LTP audit.	Complete (ready for re-auditing)
	Quality of asset-related forecasting information (including condition and performance information for critical assets)	E-2822	Council improve the quality of data about asset performance and asset condition for critical assets.	2021	Moderate	Paul Gower (Programme Manager - Assets Strategy)	Work is ongoing within this area. Progress made to be reviewed again as part of the next LTP.	In progress
Office of the Auditor General Review of Managing Conflicts of Interest	Conflict of interest policy and procedures	E-2833	Policy and procedures to be updated to better align with the OAG good practice guide	2022	Moderate	Dan Finn (People, Safety and Wellness Manager)	The Conflict-of-Interest Management Policy has been reviewed against these recommendations. It has been reviewed by subject matter experts and presented at the Strategic Risk and Assurance Committee. The Policy will now be submitted to BSLT for final sign-off on the 17th of November 2022.	Complete (ready for re-auditing)
	Assurance that the conflict of interest policy and procedures are working well	E-2834	There is a gap in the way conflicts of interest for management are overseen.	2022	Moderate	Dan Finn (People, Safety and Wellness Manager)		Complete (ready for re-auditing)
	Managing the risks of multiple arrangements for managing conflicts of interest	E-2835	The conflicts of interest system should be thought of as a whole so that it is internally consistent as well as complete and fit for purpose.	2022	Moderate	Dan Finn (People, Safety and Wellness Manager)		Complete (ready for re-auditing)

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Legal Risks - Committee Update) Good reason to withhold) information exists under	Section 48(1)(a)
C2. SR4 (Loss of Information or Access to Systems)) Section 7 Local Government) Official Information and) Meetings Act 1987	

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

Item C1.	to maintain legal professional privilege	Section 7 (2) (g)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)