

Notice of Meeting:

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

Date: Thursday 17 June 2021
Time: 12.45pm
Meeting Room: Committee Room 1 and Audio Visual Link
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Strategic Risk and Assurance Committee

Komiti Whakamauru Tuuraru

OPEN AGENDA

Membership

Chairperson Keiran Horne
Heamana

Deputy Chairperson Bruce Robertson
Heamana Tuarua

Membership: Mayor P Southgate
Cr R Pascoe
Cr D Macpherson
Cr A O’Leary
Cr M Bunting
Vacancy

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

Quorum: Four members (including one external appointee)

Becca Brooke
Governance Manager
Menetia Mana Whakahaere

10 June 2021

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Purpose:

The Strategic Risk and Assurance Committee is responsible for providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management and assurance framework and external reporting.

In addition to the common delegations, the Strategic Risk and Assurance Committee is delegated the following Terms of Reference and powers:

Terms of Reference:*Risk*

1. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.
2. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
3. To review the Fraud and Corruption, Protected Disclosure, Conflict of Interest, and Sensitive Expenditure management policies to ensure appropriate guidance and processes are in place.
4. Review Council's strategic risk register and monitor existing and proposed controls
5. Periodic in-depth reviews of specific, significant risks
6. Monitor emerging risks
7. Review and monitor business continuity planning.
8. Oversight of risk management and assurance across Council's CCO's and CCTOs with respect to risks that may have a significant impact on Council

Internal Audit

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

External Audit

13. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.
14. Recommend to Council the terms and arrangements for the external audit programme.
15. Review the effectiveness of the Annual Plan audit and 10 Year Plan audit.
16. 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

17. 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

18. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines.
19. Review the adequacy and effectiveness of Council's health and safety programme and cybersecurity programme.
20. Engage with internal and external auditors on any specific one-off audit assignments.
21. 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.
22. 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.
23. 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 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 Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The 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 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: 17 June 2021
Author: Narelle Waite
Authoriser: Becca Brooke
Position: Governance Advisor
Position: Governance Manager
Report Name: Confirmation of the Strategic Risk and Assurance Committee Open Minutes - 11 March 2021

Report Status	Open
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Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Strategic Risk and Assurance Committee confirm the Open Minutes of the Strategic Risk and Assurance Committee Meeting held on 11 March 2021 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Strategic Risk and Assurance Committee Open Unconfirmed Minutes - 11 March 2021

Strategic Risk and Assurance Committee

Komiti Whakamauru Tuuraru

OPEN MINUTES

Minutes of a meeting of the Strategic Risk and Assurance Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton and Audio-visual Link on Thursday 11 March 2021 at 9.31am.

PRESENT

Chairperson	Mrs K Horne
<i>Heamana</i>	
Deputy Chairperson	Mr B Robertson
<i>Heamana Tuarua</i>	
Membership:	Mayor P Southgate (audio-visual link)
	Cr R Pascoe
	Cr D Macpherson
	Cr M Bunting (audio-visual link)
	Maangai H Rau

Attendance:	Cr Martin Gallagher
	Richard Briggs – Chief Executive
	Lance Vervoort – General Manager Community
	Eeva-Liisa Wright – General Manager Infrastructure Operations
	Michelle Hawthorne – Legal Services Manager
	Tracey Musty – Financial Controller
	Morva Kaye – Internal Auditor
	Dan Finn – People, Safety and Wellness Manager
	Karin Barclay – Safety Engagement Lead
	Louise Lukin – Director of the Chief Executive’s Office
	Kelvin Powell – City Safe Unit Manager
	Karen Saunders – Growth Programmes Manager
	Chris Barton – Capital Projects Manager
	Maire Porter – City Waters Manager
	Heather Burden – Risk and Insurance Manager
	Nicholas Whittaker – Risk and Insurance Advisor
	Tatyiana Tauroa – Official Information Administrator
	Matt White – PricewaterhouseCoopers
	Aaron Steele – PricewaterhouseCoopers

Governance Staff	Becca Brooke – Governance Manager
	Narelle Waite – Governance Advisor

1. Apologies – *Tono aroha*

Resolved: (Mrs Horne/Mr Robertson)

That the apologies for absence from Cr O’Leary and for early departure from Crs Bunting, Pascoe and Macpherson are accepted.

2. Confirmation of Agenda – *Whakatau raarangi take*

Resolved: (Mrs Horne/Cr Pascoe)

That the agenda is confirmed.

3. Declarations of Interest – *Tauaakii whaipanga*

No members of the Council declared a Conflict of Interest.

4. Public Forum – *Aatea koorero*

No members of the public wished to speak.

5. Confirmation of the Strategic Risk and Assurance Committee Open Minutes - 4 December 2020

Resolved: (Mrs Horne/Mr Robertson)

That the Strategic Risk and Assurance Committee confirm the Open Minutes of the Strategic Risk and Assurance Committee Meeting held on 4 December 2020 as a true and correct record.

6. Chief Executive Report – Verbal Update

The Chief Executive presented his verbal report concerning staff wellbeing, the HCC Safety Governance Committee, organisational strategy, procurement, and organisational priorities including strategic risk. He responded to questions from Members concerning housing and growth projections, and staff wellbeing.

Resolved: (Mrs Horne/Cr Macpherson)

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

Cr Bunting joined the meeting (9.41am) during discussion of the above item. He was present when the matter was voted on.

Mayor Southgate joined the meeting (9.48am) during discussion of the above item. She was present when the matter was voted on.

7. Safety and Wellness Report - 1 November 2020 to 31 January 2021

The People, Safety and Wellness Manager and the Safety Engagement Lead took the report as read. He responded to questions from Members concerning service strikes incident monitoring and mitigation, the Safety Plus report, medical events, resourcing and the safety software solution, staff wellbeing measures, hydro-excavation, and reporting to the Council.

Staff Action: *Staff undertook to present to the next Strategic Risk and Assurance Committee meeting of 17 June 2021 an action plan to implement the recommendations from the service strikes review.*

Resolved: (Mrs Horne/Cr Pascoe)

That the Strategic Risk and Assurance Committee receives the report.

Staff Action: *Staff undertook to provide minutes of the workshop held 10 March 2021 to Members via an appendix to the public excluded minutes.*

8. Risk Management Report

The Risk Manager took the report as read noting the addition of a ninth strategic risk, Climate Change. She responded to questions from Members concerning water quality, climate change, the global reinsurance market, financial response to climate events, financial risk of Central Government legislation change, and infrastructure projects and the construction sector confidence in Council.

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

Cr Bunting (10.25am) left the meeting during the above discussion. He was not present when the matter was voted on.

9. 2020/21 Internal Audit Update

The Internal Auditor took the report as read and responded to questions from Members concerning mixed-use land acquisition.

Resolved: (Mrs Horne/Mr Robertson)
That the Strategic Risk and Assurance Committee:
a) receives the report; and
b) notes progress against the Hamilton City Council Internal Audit Plan for Council staff.

10. 2020/21 PwC Internal Audit Update

Matt White and Aaron Steele (PricewaterhouseCoopers) introduced the report noting business case processes. They responded to questions from Members concerning benefits realisation, business case models and best practice and data governance.

Resolved: (Mrs Horne/Cr Pascoe)
That the Strategic Risk and Assurance Committee:
a) receives the report; and
b) notes progress against the Internal Audit Plan.

Cr Macpherson retired from the meeting (10.57am) during discussion of the above item. He was not present when the matter was voted on.

11. Organisational Improvement Report

The Financial Controller took the report as read noting the Inland Revenue Department tax review, the Office of the Auditor General conflict of interest review, and the inclusion of the security review on the organisational improvement register. She responded to questions from Members concerning Committee visibility of risk recommendations, timeline for audit review recommendations, conflicts of interest guidance, and the data governance review.

Staff Action: Staff undertook to provide a summary of the Office of the Auditor General conflict of interest review to the Strategic Risk and Assurance Committee meeting of 17 June 2021.

Staff Action: Staff undertook to add recommendations from the security review to the organisational improvement register.

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

12. Audit Engagement Letter for 2021

The Financial Controller took the report as read.

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

13. Annual Report 2021 Planning Update

The Financial Controller introduced the report noting the planning and audit process. She responded to questions from Members concerning resourcing and audit timelines.

Resolved: (Mrs Horne/Cr Pascoe)
That the Strategic Risk and Assurance Committee receives the report.

14. Draft Schedule of Reports for Strategic Risk and Assurance

The Chair introduced the schedule noting the new format. Staff responded to questions from Members concerning the planned Review of Draft Engagement Letter report.

Resolved: (Mrs Horne/Mr Robertson)

That the Strategic Risk and Assurance Committee:

- a) receives the draft Schedule of Reports for Strategic Risk and Assurance 2021; and
- b) notes that the Schedule of Reports for Strategic Risk and Assurance 2021 will be updated regularly.

15. Resolution to Exclude the Public

Resolved: (Mrs Horne/Cr Pascoe)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Strategic Risk and Assurance Committee Public Excluded Minutes - 4 December 2020) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)
C2. Legal Risks - Committee Update		

C3. Fraud and Protected
Disclosures Update

C4. Cyber Risks / Issues -
Verbal Report

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to protect information which is subject to an obligation of confidence and disclosure would likely prejudice continual supply of similar information where it is in the public interest for that information to continue to be available	Section 7 (2) (c) (i) Section 7 (2) (c) (ii)
	to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest	
Item C4.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)

The meeting went to Public Excluded session at 11.19am.

The meeting was declared closed at 12.28pm

Council Report

Item 6

Committee: Strategic Risk and Assurance Committee
Date: 17 June 2021
Author: Richard Briggs
Authoriser: Richard Briggs
Position: Chief Executive
Position: Chief Executive
Report Name: Chief Executive Report - Verbal Update

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

1. The Chief Executive will present a verbal update to the Strategic Risk and Assurance Committee on the key risks faced by Hamilton City Council.

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 17 June 2021
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 February 2021 to 30 April 2021

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 February 2021 to 30 April 2021.

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Executive Summary - *Whakaraapopototanga matua*

3. This report has been redesigned this quarter to enable greater governance discussions and decisions. We welcome feedback from this committee on the report so that the future iterative changes can be made to continuously improve toward this outcome.
4. The report is focused on the key areas outlined in our completed SafePlus review being risk and incidents, relationships, and resources. We have also included an overview of strategic progress, assurance activities, and success/recognition, to supplement an effective governance perspective.
5. The key contents of this reports demonstrates that Health, Safety and Wellness at HCC is in a foundational building stage, with two significant programmes of work that will set groundwork for developing towards safety excellence. Specifically, these are – Project Ora as the replacement technology for Vault, and the corresponding rebuild of our Safety Management System (SMS). Of equal importance is the development and assurance of our organisational critical risks. The Safety and Wellness team is balancing the key activity of these foundational workstreams in addition to managing ‘business as usual’ activity for risks and incidents that arise in our operations.
6. Another key activity to note from the previous quarter includes the development of a heat map to determine maturity of safety across the organisation. This work is known as ‘the state of safety’. This heat map enables us to create the baseline from which we will measure improvement.

7. A restructure of our Safety and Wellness team has been completed this quarter to better balance our key development activities with the 'business as usual' activity required by the team. This has resulted in a net increase of two positions in the function with recruitment now commencing.
8. Our new safety governance committee has now been established with the terms of reference in place and representatives from elected members through to health and safety representatives. This group is now reviewing a draft of our refreshed and updated safety management system.
9. There are no substantial new risks or incidents for the committee to review for the quarter.
10. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Strategic Progress - *Te ahunga whakamua rautaki*

11. The following workstreams were presented to this committee in September 2020 as key areas of activity required to strengthen our safety and wellness strategy. This report captures below a snapshot of progress from these workstreams which will be updated on an ongoing basis.

Workstream	Status	Next milestone	Comment
SafePlus review recommendations	7%	Consolidate actions & recommendations	Several recommendations will be completed via Ora/SMS streams
SMS development and implementation	75%	Safety Governance Committee review	Documents are in draft and are dependant on the Ora build
Technology and communication (Ora)	35%	Solution build phase – end of June	This work is a key priority as the build will enable SMS development
Critical risk management	20%	Risk owners to be identified	Learning teams complete
Staff wellbeing pulse check	100%	Complete	Workstream complete
Contractor management	0%	Set up workstream team	Progress will accelerate when new resources are on board
Resourcing and structure review	65%	Recruitment of new lead position to be completed this quarter.	Consultation complete, structure confirmed.

Risks and Incidents - *Nga Raru me nga Raru*

Item 7

12. Our incident profile for the quarter is linked to our ability to manage risk. Our safety triangle shows this relationship below.



13. In future reports we intend to identify near hits that relate to our critical risks and may have resulted in a potential fatality.
14. For a total of 14 injuries in the quarter, we would expect a total of approximately 700 near hit events to occur (ratio of 1:50). Our under-reporting is driven by two key reasons:
- our reporting processes are cumbersome and not friendly to a mobile workforce; and
 - there are capability and cultural challenges that creates a lack of understanding what to report and when to report it.
15. We have workstreams in place to address both issues. Project Ora will deliver our technology needs with a focus on the end user experience, and the development and implementation of our SMS will assist in building our organisational capability and culture (in addition to Council's high-performance programme).
16. There have been no notifiable events to report to the regulator this quarter.
17. Our critical risk learning teams came together this quarter to debrief the overall themes from our learning teams. These themes included:
- ensuring a robust feedback loop is in place when our people raise safety items;
 - the need for cohesive approaches to common risks across multiple business units;
 - trailing of the learning teams' approach to incident investigations;
 - strengthening change management when rolling out new safety initiatives; and
 - ensure we focus on celebrating success in safety.
18. Our next steps following the critical risk learning teams are clearly defining our critical risks, determining key risk owners, and facilitating collaborative cross organisational teams to standardise the critical controls required by our critical risks.

19. Infrastructure Operations Group have progressed the immediate service strike report recommendations, such as updating our written procedures, which are now in line with the New Zealand Utilities Advisory Group (NZUAG) guidelines. Increased quality of event recording and investigation findings are now a focus to ensure accurate data is maintained. As part of the longer-term solution, feedback has been submitted to BetterWork New Zealand, Whakaiti Kino, a programme from WorkSafe, Waka Kotahi, and the Construction Health and Safety NZ (CHASNZ), to understand why hits occur and what systemic changes from all of the parties involved are required so that workers can undertake their tasks without causing harm to themselves or damaging utilities and underground infrastructure.
20. Infrastructure Operations Progress Chart

	Not Started	In Progress	Completed
Service Location Procedures	0	1	5
Reporting and Investigation	0	0	5
Review	0	1	0
Total	0	2	10

Relationships – Whanaungatanga

21. The new safety governance committee has commenced with meetings on the 4th of March, and the 2nd of June. This committee will provide strong guidance and strategic leadership to the Senior Leadership Team (SLT) on objectives, responsibilities, and accountabilities. The committee is made up of representatives from across all areas of council including elected members and Maanga Maaori.
22. The committee will be approving the adopted Positive Performance Indicators (PPI) for the organisation in addition to a survey that SLT will complete to determine how we will measure our progress.
23. The committee will be reviewing the draft Safety Management System (SMS), which has been refreshed, prior to the system being ratified by the SLT.
24. An executive summary of these committee meetings will be recorded in this report going forward.

Resources - Rauemi

25. A key priority in the quarter has included the consultation and confirmation of a new structure for our safety and wellness team. This has resulted in a net increase of two positions in the safety and wellness function. The key changes include development of a business partnering model enabling better coaching and support for our people, and a new safety and wellness lead to strengthen our strategy and planning.
26. Our safety and wellness team are supplemented by decentralised resources such as Health and Safety specialists, advisors and representatives in our business units. There are approximately 7 advisor roles throughout the organisation. There is also an active network of 68 Health and Safety representatives.

Assurance - Whakatau

27. The review of our 'State of Safety' is to gain insights around each Business Unit's current state of safety implementation and how they are progressing towards Health and Safety best practice. The required outcome is a summary "heat map" that can then be monitored to follow the progress of completing corrective actions identified. The current heat map is the baseline that we will use to monitor our progress.

28. This review forms part of the audits and assessments element of our Safety Management System (SMS) and covers existing health and safety requirements. The heat map can be found in **Attachment 2**.

Success and Recognition

29. Our Parking Team do a difficult job in the city, which includes being abused on a daily basis.
30. It is great to see they were recently acknowledged through a random act of kindness from a member of the public - who paid Mamas Donuts to deliver 2 boxes of their yummy products to the team as a thank you for the “unnecessary abuse”.
31. The teamwork within the city boundaries to ensure our network runs smoothly, with a focus in the CBD ensuring turnover for businesses to trade. They support our Transportation team by assisting in their School’s Programmes; to ensure cars are parked safely when parents are collecting children. Feedback from parents have been fantastic, with the odd few not happy to see us.
32. This resourceful team tracked down the business, this thoughtful member of the public worked at and wrote to their manager letting them know that they were appreciative of the kindness shown and wanted to pass on their thanks for the awesome acknowledgement.



Hamilton City Council Parking Wardens

Financial Considerations - Whaiwhakaaro Puutea

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

Legal and Policy Considerations - Whaiwhakaaro-aa-ture

34. Staff confirm that the staff recommendations in this report comply with Council’s legal and policy requirements.

Wellbeing Considerations - Whaiwhakaaro-aa-oranga tonutanga

35. 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’).
36. The subject matter of this report has been evaluated in terms of the 4 well-beings during the process of developing this report.
37. The recommendations set out in this report are consistent with that purpose.

38. This report addresses matters of safety and wellbeing. No known social, economic, environmental or cultural considerations have been identified relevant to the matters in this report.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - LTIFR/TRIFR Graphs

Attachment 2 - State of Safety Commentary and Heat Map

Attachment 3 - SGC Meeting Minutes

LTIFR/TRIFR Graphs

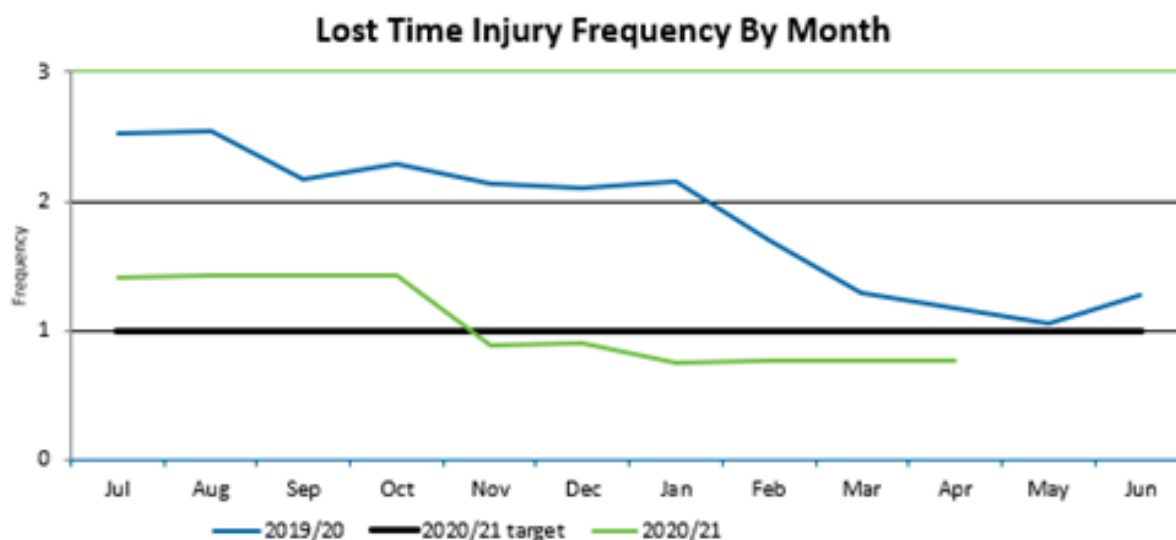


Figure 1: LTIFR per 200,000 hours worked for previous and current performance years, 1 February – 30 April

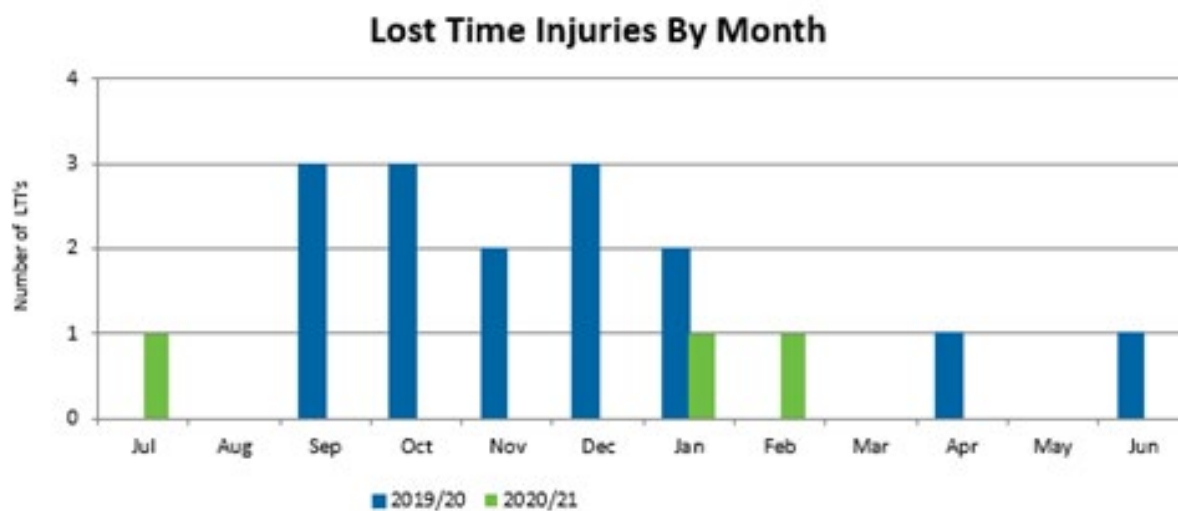


Figure 2: Lost time injuries by month for previous and current performance years, 1 February – 30 April

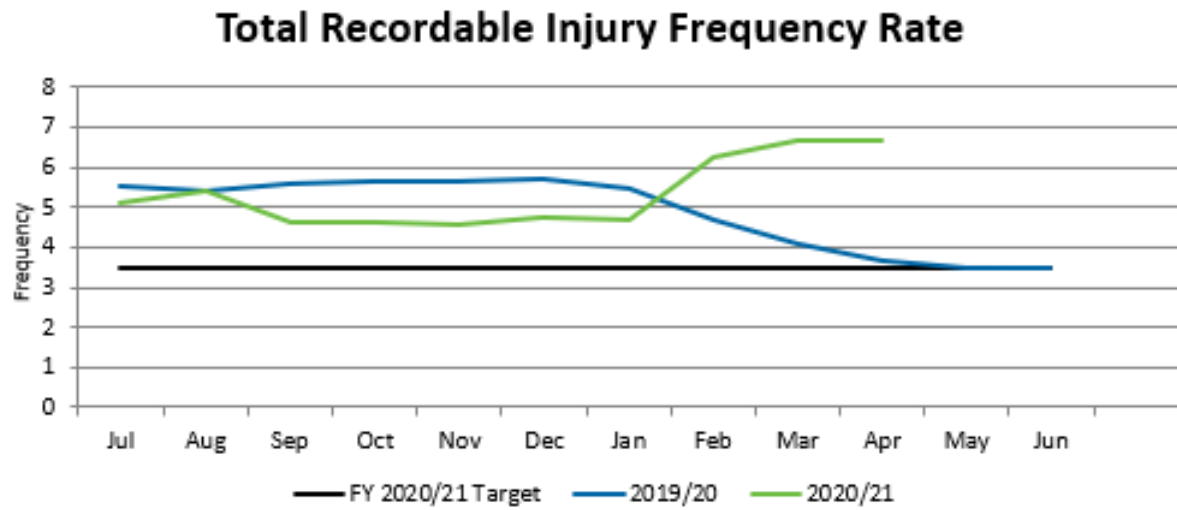


Figure 3: TRIFR per 200,000 hours worked over a rolling 12 months

State of Safety

Overview

The review of our State of Safety is to gain insights around each Business Unit's status of safety implementation and how they are progressing towards Health and Safety best practice. The required outcome is a summary "heat map" that can then be monitored to follow the progress of completing corrective actions identified.

This review forms part of the Audits and Assessments element of our Safety Management System (SMS) and covers existing health and safety requirements and the format will be aligned to our SMS pillars.

Each review takes approximately a day and positive safety management practices were also identified. The approach was to assess safety implementation against selected elements in the SMS noting that:

- It provides a status against the principle of the elements and is not a procedural compliance assessment.
- Documentation, observations, or verbal advice were taken as sufficient evidence for implementation.
- Not all aspects of each Business Unit were reviewed as the focus was the main activities in the day allowed.

Review findings

Critical issues

There were three critical issues identified during the reviews.

- **Animal Education and Control (AEC)**
Works hours from a weekends on-call response by an AEC officer (58hrs between 9hr breaks). The risk was from responding to aggressive dogs and people when fatigued.
A review of options is under way due to implications of a handover on other AEC officer and their break periods.
- **Water Treatment plant**
An operator working over water cleaning channels was alone and could not swim though he was wearing a lifejacket. The risk was from falling in, limited ability to self-rescue and a likely delay in an assisted rescue.
The individual is no longer doing this task and swimming lessons are planned. A review of lone working risks and effectiveness of rescue is underway while others continue with this task.
- **Waste Water Treatment plant**
A contractor completing installation of new plant with no interaction with HCC operators and common work areas had no daily permit to work. The risk was from conflicts, lack of understanding or co-ordination of works.
The contractor is now following permit to work procedures.

Recommendations

There are a range of recommendations with differing workloads from documentation to compliance issues noting:

- There are 299 recommendations from 14 reviews. (An average of 21 per review)
- Some recommendations apply to the People and Wellness team as well as individual Business Unit's.
- Recommendations covering procedures and the ability to demonstrate implementation are included.
- There are cases where risk assessments are required to establish control measures to ensure safety of workers.
- There are cases where risk controls were in place and workers aware though these were not documented.
- There are opportunities to share learnings across business units to reduce effort and have a common standard.

Summary

Business Unit's have implemented safety processes for their operations that generally meet the principles of the SMS elements and there are multiple examples of positive safety practices. Each recommendation is being followed up to track progress on completion of required corrective actions.

Hamilton City Council

Safety assurance programme - Overview of internal review

Group	Unit	Critical Issues	Recommendations	Safety leadership and policy	Risk management	Safety assurance	Training, promotion and engagement	Behaviours and conditions	Unit Specific items	General
Community	Museum		34	4	16	3	6	2	1	2
Community	Central Library		15	2	4	0	2	5	0	2
Community	Parks - Planning and Projects		21	3	9	2	3	1	3	0
Community	Zoo		13	1	8	2	1	1	0	0
Community	Cemetery		26	4	2	1	1	14	0	4
Community	Hamilton Gardens		26	2	8	0	3	7	4	2
Community	Parks and Recreation									
Community	Gallagher Aquatic Centre									
Community	Nursery									
Community	Waterworld		18	1	12	2	1	2	0	0
Development	Facilities									
Development	Capital Projects		9	1	4	3	0	0	0	1
City Growth	City Safe		20	2	7	1	2	5	0	3
City Growth	Animal Education and Control	1	25	1	13	1	0	4	6	0
Venues, Tourism and Major Events	H3 - Claudelands Event Centre, FMG and Seddon Park		50	2	11	2	10	10	15	0
Infrastructure Operations	Waste Water Treatment Plant and Water Treatment Plant	2	42	2	10	1	5	21	1	2
Infrastructure Operations	City Delivery									
Infrastructure Operations	Transportation									
Recommendations		3	299	7	41	5	17	40	22	5

Attachment 2

Item 7

SGC Meeting Minutes

Item 7

Safety Governance Committee

Time and date:	1:00pm, Thursday 4 th March 2021
Venue:	Learning Hub, Level 3, Hamilton City Council and Zoom
In Attendance:	Greg Dearsly (Independent Chair), Richard Briggs (Chief Executive), Dan Finn (People, Safety and Wellness Manager), David Bryant (GM Corporate), Lance Vervoort (GM Community), Mark Wagstaffe (Safety and Wellness Assurance Lead), Maire Porter (City Waters), Simon Young (City Delivery), Claire Toko (H3), Dion Liddel (AWUNZ), Tracey Wood (Communications), Cr Ewan Wilson (Elected Member), Jessica Perry (Minutes), Jonathon Brooke (Health and Safety Representative - Revolving)
Apologies:	None

Attachment 3

1. Welcome

Short introduction from the Chair, followed by an introduction from each member of the Committee with comment on their aspirations for this group.

2. Terms of Reference

Each section of the ToR was discussed with context provided by Dan Finn. The following amendments were requested:

Purpose

To Include the ambition of this committee

Objectives

A paragraph on "Providing assurance" and "Complete engagement" be included in the objectives.

Chairperson

The committee accepted Greg Dearsly as the chairperson, with a discussion on the deputy chair to be had at a later date.

Committee Members

A discussion was held regarding the inclusion and involvement of 3LT members and the opportunity for other staff to attend. Further discussion was also held around the inclusion of Maangai Maaori representation, with the committee in agreeance that there was potential for this addition to add value to the culture of the committee and bring diversity of thought.

Cr Ewan Wilson suggested Maangai Maaori member Olly Te Ua as a suitable person.

Also request to add Tracey Wood to the official members list.

Draft Safety Governance Structure

The question was raised of the location of the committee within the Governance Structure, and whether or not it should sit below the Strategic Risk and Assurance Committee, (SRAC) within the Independent Oversight category.

This was discussed at length and the committee agreed that this committee should be moved to sit with in the Independent Oversight category, below the SRAC.

Due Diligence Requirements, Roles and Responsibilities

Wording change suggested and agreed in the opening sentence, *"The Safety Governance Committee will provide ~~strong guidance~~ strategic leadership to the Senior Leadership Team (SLT) on objectives, responsibilities, and accountabilities."*

Additional bullet points to be added to the roles and responsibilities, particularly around Elected member responsibilities and best practice, whilst not creating any legal liabilities for the elected members.

Meetings

The following amendments were discussed and approved by the committee:

- The Quorum was lifted from 4 members to 90%, with the wording to now read, *"The quorum of the committee will be met by attendance of 90% of the committee members."*
- Agenda item G. wording changed from Training to Competency

The location of the meetings was also discussed, with the committee agreeing that each meeting should be held at a different Council site, with a Health and Safety Rep and employee representative invited from that specific area.

3. Safety KPI/Positive Performance Indicators and Measures

The Safety Positive Performance Indicators & Measures document was provided to the committee for review, prior to the committee meeting.

A discussion was held around the contents of the document.

Some comments are listed below:

Include Best Practice + Good to great development.

What is our vision for "Great" and how to we get there?

Fit for purpose as opposed to bench marking.

Set measures across the organisation and report these through to the Strategic Risk and Assurance Committee (SRAC)

Keep the list of indicators concise e.g. Do a SafePlus review biannually.

Limit the number of measures to 5-7

It is noted that the performance indicators are a work in progress.

The Chair provided the opportunity for SLT to complete a short survey, so that they may have input and provide feedback to this committee and help to direct the thinking on the objectives and targets and what the performance measures might be, particularly around Risk, Resources and Relationship.

*Dion Liddle left the meeting at this time (2:08pm)

4. Safety Reset

Dan Finn provided feedback on the safety reset, including the SafePlus Report, which was provided to Committee Members prior to this committee meeting. An Action Plan has been created from the recommendations contained in the SafePlus Report.

There is a skills and resource shortage in the Health and Safety area, which is impacting on our ability to deliver.

Richard requested that Dan provide him with a report codifying our Health and Safety aspirations V's our ability to deliver.

The Chair provided an update on the Learning Teams discussions. The sessions held with the "on the ground" staff provided more valuable insight than the sessions held with middle management. However positive feedback has been passed on from those attending the learning teams discussions.

5. Safety Management System (SMS)

The SMS is back from the Comms team and is being checked before elevated to the Senior Leadership Team (SLT) and General Managers. It will also be sent to the Health and Safety Reps

It was requested that the SMS be sent to this committee for review prior to going to SLT.

6. Safety Software Solution

An update was provided by Mark Wagstaffe. Confirming that there is a role out plan and a Change manager in place.

This software should help enable and drive a culture shift and will include training, education, and culture aspects.

An emphasis has been put on consistent language and messaging.

7. State of Safety (Heatmap)

This is a work in progress.

Improvements suggested in the Risk Management and How we manage Risks.

8. Round Table

8.1 Governance Reporting

An executive summary from this meeting is to be sent to the Chair of the Strategic Risk and Assurance Committee. This is to happen at all future meetings also.

The confirmed Minutes from this committee are to be included in the Safety and Wellness Report, as an appendix, submitted to the Strategic Risk and Assurance Committee.

8.2 Covid-19 Queries

There were no covid-19 related queries.

8.3 Good news stories

Each member shared a good news story from their area, these included:

- Positive feedback from the police over the management of the Six60 concert
- The Zoo's response to a RT call
- The Council's response to covid
- The Stand up of this Governance Group, which highlights all level involvement.

All these things, and more, show that we can recover well when bad things happen.

9. General Business

Request that the agenda timings allow more time for reflection and discussion.

10. Actions Register

Action	Assigned To	Due Date	Comments	Status
Create a Mission Statement	Chair and Dan Finn	With next agenda	Included within below action	Complete
Update the Terms of Reference	Dan Finn	With next agenda	Information contained within the minutes	Complete
Extend invitation to Maangai Maaori member Mr Olly Te Ua	David		Brief conversation, invitation sent with further context to be provided	In Progress
Send SMS document to Committee members	Mark Wagstaffe	As soon as possible		Complete
Prepare Governance Committee Stand up comms piece	Tracey Wood			Unknown
Send Business Leaders Forum Survey to SLT	Chair/Dan Finn	26 June 2021	Risk, Resources, Relationship based survey.	In Progress
Aspirations vs ability to deliver Report	Dan Finn	3 June 2021	Outlined in Organisational Game and aligned to H&S Structure, Resources and Strategy	In Progress

The meeting was declared closed at 2:37pm.

Next Meeting: Wednesday 2nd June 2021

Council Report

Item 8

Committee: Strategic Risk and Assurance Committee

Date: 17 June 2021

Author: Heather Burden

Authoriser: David Bryant

Position: Risk Manager

Position: General Manager People and Organisational Performance

Report Name: Risk Management 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 Hamilton City Council's nine strategic risks, three key organisational risks and two key 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 top nine Strategic and three 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. This quarter, risk owners and action owners have concentrated on refining the controls and mitigations for their risks in preparation for the Strategic Risk and Assurance Committee.
6. The focus areas for the Strategic Risk and Assurance Committee to note for enterprise risks are outlined in the following paragraphs.
7. **Three Waters Reform (new Emerging Risk)** – Council continues to scan for emerging risks and escalate as appropriate. A new emerging area of focus is Council's ability to navigate the Government's Three Waters Reform Programme. Council is working closely with the Government and agencies to further understand the detail of the programme to be able to make the best decisions for the community. Risk analysis has commenced, based on the risk to Council of the entire reform programme. This emerging risk is likely to be an active risk following the government's impending decision.
8. **Cyber Attack (Strategic Risk 4)** – Following the impact of a recent major cyber-attack on the Waikato District Health Board, the risk of cyber threats remains high. Staff have taken a lean forward approach to immediately identify anomalous activity and any known vulnerabilities to Council from both an internal and external perspective.

9. **Security Threat (Strategic Risk 8)** – Following a recent bomb threat to the Municipal building, staff undertook to establish an internal working group to highlight gaps, review lessons learnt and identify key urgent actions along with other areas for improvement. The incident highlighted the need for Council to improve preparedness, capability and business resilience.
10. **Shortage of External Resources (Strategic Risk 7)** – A recent emerging risk has been escalated by contractors relating to material supply, driven by both national and international supply and demand. Staff are working with contractors to ensure there is appropriate risk allocation in contractual arrangements to help mitigate this risk.
11. **Privacy Act (Strategic Risk 3)** – Reviewing requirements for Council to comply with the Privacy Act (2020) continue across business units. An update is provided in the risk of increasing compliance standards.
12. **Conflict of Interest and Preventing Fraud** – Following the audit by the Office of the Auditor General (OAG) in March 2021, almost 250 members of staff have now completed online training courses on Conflict of Interest and Preventing Bribery and Corruption. A draft report for Council from the OAG is expected by the end of June 2021.
13. Staff consider the matters in this report have medium significance and that the recommendations comply with Council's legal requirements.

Discussion – *Matapaki*

14. The Strategic Risk and Assurance Committee meeting of 16 May 2019 approved, for monitoring purposes, eight strategic risks and three key organisational risks (as set out below). At subsequent meetings, staff reported on the status of each risk and associated improvement plans. A ninth strategic risk, Climate Change, was added in March 2021.
15. Council remains vigilant and ready to respond to any change in requirements in the event of resurgence in Covid-19 which continues to pose an active threat to New Zealand.
16. Any risks to the Long-Term Plan programme are being actively managed and escalated as appropriate and the process remains on track.
17. The purpose of the report is to highlight significant activity over the last quarter for each risk. The appended register sets out more detail on all risks.

Strategic Risks

Strategic Risk 1 - A disaster event

18. This risk relates to a natural or human-induced disaster event. Council's emergency management framework is supported by local emergency services, National Emergency Management Agency (NEMA), the Civil Defence Group, Regional Hazards Group and the local Emergency Operations Centre structure (capable of responding to a variety of disasters). Actions undertaken have had a very strong focus on Covid-19 resurgence preparation.
19. It has now been assessed that the most efficient and effective means of coordinating any disaster event anywhere across the Waikato region is to adopt a 'hub and spoke' approach where all resources would be coordinated via a regional coordination centre based in the Genesis building, with staffing contributions from each local authority. Such an approach will prevent duplication of effort and will also ensure sustainability of any extended response. Staffing contributions that each local authority would be expected to provide to ensure a fully functional regional operational centre has now been confirmed.

20. Localised plans to provide meaningful support to District Health Board led Covid-19 testing centres during periods of high testing demand support were activated twice during February 2021. On both occasions, plans initiated were successful in easing high demand pressures on the primary testing centre.
21. While the residual rating for this risk remains very high, the rating is due to the unknown impact any disaster event could have on the city and the community.

Strategic Risk 2 - Major economic or financial shock

22. This risk identifies external factors that could have significant negative impact for Council and Hamilton City, and identifies the relevant controls and mitigations in place.
23. With the adoption of the 2021-2031 Long Term Plan, Council's resilience to a significant shock long term would require significant review of the Operational and Capital spending. These risks will be further explored at the next Strategic Risk and Assurance committee workshop.
24. Staff continue to work with the team at PricewaterhouseCoopers on a monthly basis to review and discuss what is happening internationally and nationally with regards to economic and financial trends.

Strategic Risk 3 – Increasing Compliance Standards

25. Strategic Risk 3 seeks to understand how Increasing Compliance Standards may impact on Council's Strategic Direction.
26. On 1 December 2020 the new Privacy Act (2020) came into effect. Work on reviewing compliance with Privacy Act 2020 requirements will continue and an update will be provided to the Committee in June.
27. Further tranches of changes to the Residential Tenancies Act have come into force from 11 February 2021. As part of the work on compliance, reporting staff will discuss with the team responsible for property management the impact of these changes on Council services – not started yet.
28. Central government has announced a review of Local Government as a whole, this adds to the suite of reform in train (three waters, RMA, climate change). Consideration of the parts and effect of the whole suite of reforms and the opportunities and risks will need to remain on the radar of the committee.

Strategic Risk 4 – Cyber Attack

29. This risk continues to be managed "to ensure the organisation is secure from, or prepared for, credible cyber threats".
30. Staff are currently progressing through a Security Operations Services RFQ, which will expand Council's cyber security partnerships and introduce key cyber security capabilities currently lacking at Hamilton City Council. These capabilities will significantly improve Hamilton City Council's ability to identify, protect, detect and respond to cyber security threats.
31. Council continues to experience significant activity in cyber-attacks through sophisticated email phishing campaigns, these have the primary focus of compromising Council passwords and running malicious software on Council devices. The impact of compromised council passwords is being largely mitigated by our recent implementation of MFA. Targeted end-user training is continuing and will be expanded next quarter.

32. New Zealand organisations remain the target of persistent malicious cyber activity linked to state-sponsored actors. During 2019/20, 30% of the NCSC's cyber incidents had links to state-sponsored actors. Ransomware attacks are on the rise in 2021, with global attacks increasing 102% compared to the beginning of 2020. Healthcare and utilities sectors have been the most targeted sectors since the beginning of April 2021.
33. In light of the recent WDHB incident, Council has moved towards a lean forward position. Staff are working through a proactive security engagement with Council's current security partner, Fujitsu, to take immediate steps to identify anomalous activity and any known vulnerabilities, from both an internal and external perspective. Staff are combining findings from this engagement with the security advisory and indicators of compromise which were provided by the National Cyber Security Centre (NCSC). Remediation activities are being progressed in parallel.

Strategic Risk 5 – Growth

34. Strategic Risk 5 continues to look at significant changes in growth demand, and/or the consequences of growth not delivering positive outcomes for the community.
35. A wider economic downturn occurred due to a global COVID-19 pandemic. The pandemic continues to be well managed from a public health perspective in NZ which in turn has meant NZ's economy has been resilient when compared to other nations. Nevertheless, NZ has higher unemployment and increasing inequality. Globalisation also means that if NZ's trading partners hurt so does NZ's economy. Consenting is important for Council as increasing revenue is predicated on growth. Fortunately, this has not slowed over the last year as housing demand and price growth has remained strong.
36. The residential sector has been stimulated through RBNZ policy. In the 12 months to April 2021 the number of residential sub-division lots granted was 2,024, about 5% down from the prior 12 months. The pattern around infill and greenfield consents has remained consistent with 51% of consents being for infill developments in 2020. In the 12 months to April 2021 consents for 1,575 new dwellings were lodged, similar to the prior 12 months. 1,529 Code Compliance Certificates were issued the 12 months to April 2021, a new record for Hamilton City.
37. A review of the Hamilton Urban Growth Strategy (HUGs) is underway and planned for completion in June 2022. The review will articulate a preferred urban form for the city and will provide clear direction for long term investment decisions on how Hamilton city will achieve wellbeing outcomes in its response to growth. There is an increasing number of requests for development outside and near to the Hamilton city boundaries. An early deliverable of the HUGS review will be a set of draft principles and a process for responding to out of boundary growth requests from developers.

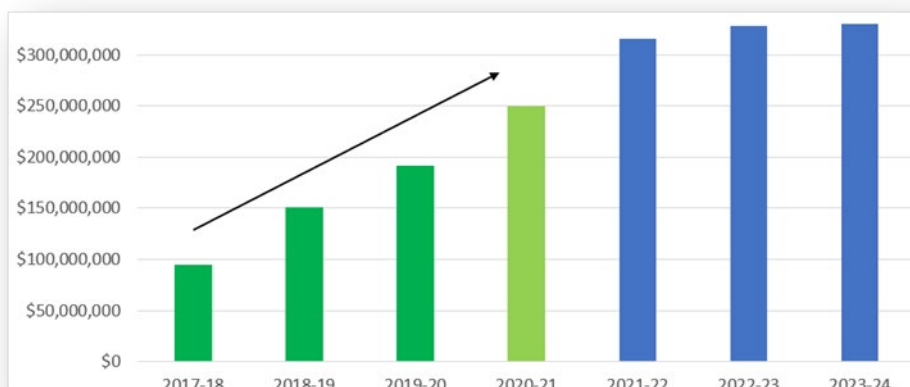
Strategic Risk 6 – Political

38. Strategic Risk 6 looks to understand and manage how political changes or decisions impact Council's Strategic Direction.
39. Staff continue to monitor the political market and legislative changes to ensure that Council is able to be agile and flexible as change evolves and is not adversely impacted by any new developments.

Strategic Risk 7 - Significant shortage of key external resources

40. This risk focuses on the strain on resources and materials across New Zealand and the impact this will have on current or pending development across Hamilton city.

41. Council has budgeted capital works programmes of over \$300m per year through the first three years of the draft 2021-31 Long Term Plan, which continues to be a significant increase from the Councils previous works programme.



42. It is noted that large components of the forward works programme are already committed with associated delivery resources secured via multi-year contract engagements.
43. The current delivery capacity of the construction industry and supply chain is under pressure regionally and nationally, noting particularly planned central government investment programmes including:
- the \$6.8B NZ upgrade transportation programme as announced in early 2020, with many key projects from this programme now in the procurement or construction stage;
 - water sector stimulus investment being delivered nationally over the next 12 months;
 - stimulus investment to 'shovel ready' projects and programmes nationally; and
 - increasing capital works programmes across emerging 2021-31 local government Long Term Plans nationally.
44. Border restrictions and limitations to employment of migrant workers continues to have an impact on construction supply chain resourcing. Human resource shortages remain the top issue currently for the construction industry, from management level through to various skilled trades and labourers.
45. Council has recently experienced examples of key delivery personnel leaving their current employment which has introduced some risks and issues to the delivery contracts those individuals were involved with. Additionally, broader skills shortages have meant replacing these key individuals is challenging. Staff are continuing to monitor the market to identify whether a trend of personnel movements between organisations is emerging.
46. Recent discussions with contractors have highlighted an escalation in risk relating to material supply – particularly regarding steel, pipes, mechanical equipment, timber, concrete and bitumen. Drivers of this escalating risk are primarily national and international supply and demand for certain materials as well as some delays due to COVID-19 & transport logistics. Consequences could include impacts to cost, time, quality and contract conditions. Options to advance order certain materials and/or work with contractors to ensure appropriate risk allocation in contractual arrangements to reflect their supply chain agreements are being investigated to help mitigate this potential risk.

47. In order to support the construction industry to proactively invest in growing local delivery capacity and capability, Council is actively progressing two key initiatives.
 - i. Council is initiating and leading a construction industry briefing session in late June to present a comprehensive regional forward works pipeline to contractors and designers - including other key regional client organisations (other councils, Waka Kotahi NZTA and key developers).
 - ii. Staff have developed a draft strategy /plan for delivery of the upcoming 2021-31 Long Term Plan programme including an emerging preferred option to implement long-term collaborative panel contracts for delivery of a large component of the programme. Along with other benefits, this model would incentivise enhanced investment in delivery resources through longer term commitments, improved forward works certainty and improved collaboration.
48. Recent construction tenders being advertised by Council have generally been receiving healthy and competitive industry responses, which indicates the regional market is still actively looking for work.
49. The largest current construction project in the Waikato – construction of the Hamilton section of the Waikato Expressway is due to be complete by the end of 2021, which staff anticipate will provide some additional local resource capacity upon completion.
50. The Development Group is currently leading industry forward work pipeline visibility, including supporting Waikato LASS with their work exploring regional works delivery collaboration opportunities and also ensuring integration with the Infrastructure Commission and the national infrastructure pipeline.

Strategic Risk 8 – Security

51. This risk relates to a major security threat which would impact Council's strategic direction.
52. Following security risk assessments, action plans are in place for staged implementation: 'Just do it', projected planned maintenance or through long term planning. High level organisational security recommendations have been added to the organisational improvement register.
53. In May, Hamilton City Council received a bomb threat to Council's Municipal Building, initiating the formation of a small crisis management team and activating business continuity plans for affected businesses. Police classified this event as a low-level risk threat. A safe outcome was achieved, and lessons learnt have led to a plan to improve business resilience.

Strategic Risk 9 – Climate Change

54. This risk focuses on the impact of both the physical changes of climate change and the transition to a low carbon economy.
55. Staff are in the process of embedding climate change considerations into priority projects across Council. This includes the District Plan, growth strategy review and growth areas.
56. The Final Climate Change Readiness Assessment has been received and a 3-year action plan is being developed; this will be implemented from July 2021. This assessment was based on the Taskforce on Climate-related Financial Disclosure (TCFD) which includes 5 key domains:
 - a. Governance,
 - b. Strategy,
 - c. Risk Management,
 - d. Metrics and Targets, and
 - e. Disclosure.

The assessment included recommendations for Council across all 5 domains.

57. The Climate Change Steering Group and Climate Change Working Group are now in place and are supporting the development of the Climate Change Policy and Climate Change Strategy.
58. To deliver the Climate Change Strategy, a two staged climate change risk assessment will be completed. The first stage will be high level and will inform the strategy development. A more detailed assessment will happen once the Ministry for the Environment publish guidance on how local government can complete a climate change risk assessment at the end of the year.
59. The Climate Change Response Act 2002 was amended in 2019 and set out dates by which key elements must be implemented. Over 2021 the Government will meet a number of these obligations. The key dates include:
 - i. following the Climate Change Commission advice being delivered to Government on 31 May the Minister of Climate Change must table the Commission's advice in Parliament within 10 working days. This will then be made public by the Commission;
 - ii. consultation on the Emissions Reduction Plan by Government and the budgets will occur in October/November 2021; and
 - iii. by 31 December 2021, the Government must have set the first three emissions budgets out to 2035 and released its first emissions reduction plan.
60. Through this process Council will get greater clarity of the Governments approach to the low carbon transition and will be able to better understand the potential impacts on Councils services and operations.

Organisational Risks

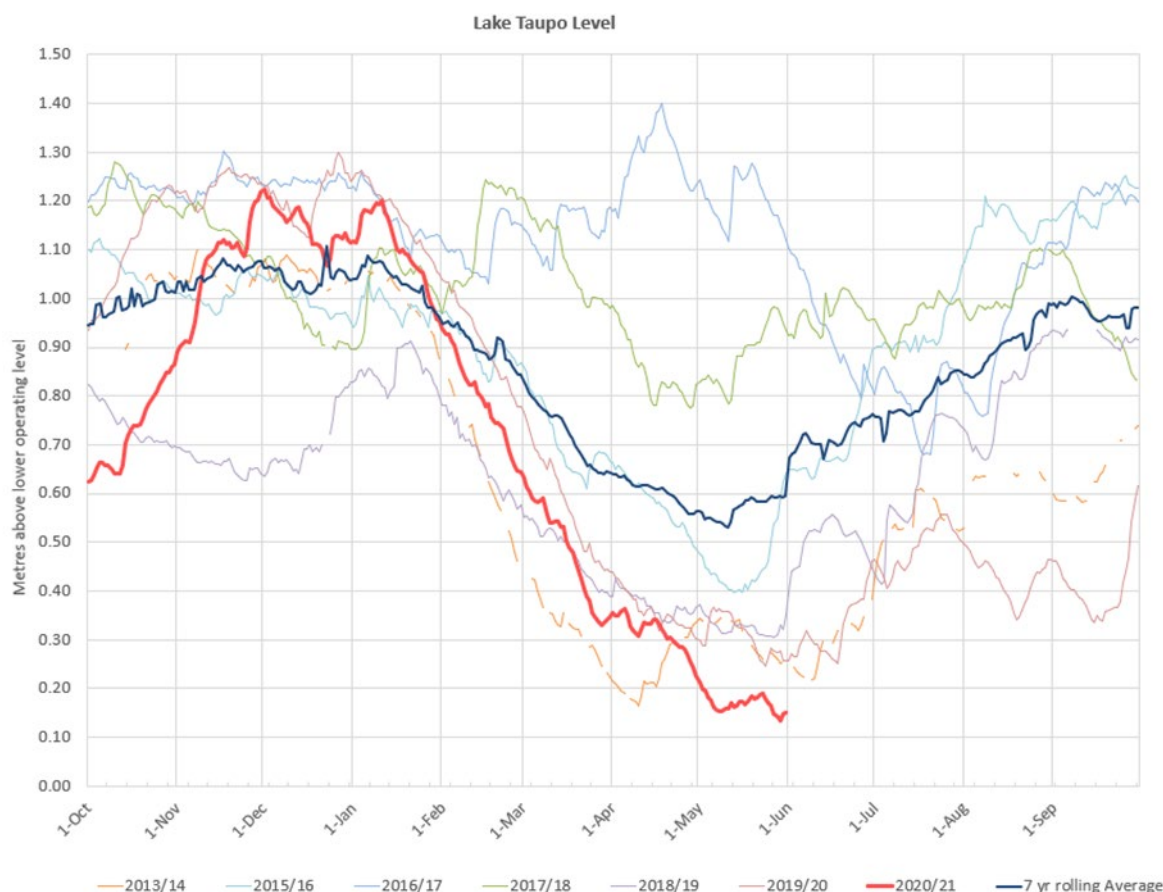
61. The **Health and Safety risk to staff, contractors and volunteers** is presented in the *Safety and Wellness report - 1 February 2021 to 30 April 2021* report in more detail. Note: there is no change to the residual risk for this quarter. The report will provide further details about the Council's Health and Safety strategic direction and improvement schedule.
62. The **Safety and Wellbeing of the Community** risk was identified as an area that required more analysis to identify key risk exposures to Council, relating to facilities and services provided to the community. Security assessments have been completed and improvement actions identified. A monitoring and reporting framework which tracks the completion of identified improvement actions is currently in the final stages of development. This tool will provide assurance that remediations are underway and identify any issues or uncompleted works. The next full review of risks will be completed before year end 2021/22.
63. Work to integrate the controls and mitigations relating to safety and wellbeing of the community from H3, City Safety and Infrastructure Groups as they relate to OR2 has commenced and will be outlined in the September 2021 report.
64. In terms of the **Failure of Critical Assets** risk, monitoring of the condition of critical assets will continue to be undertaken by way of asset management plans (which are ongoing). A work programme, which is regularly reviewed, is in place for maintenance and renewal of these assets.

Emerging Risks

Water Quantity

65. '**City Water Supply – quantity of intake from the Waikato River**' continues to be regularly reported to the Strategic Risk and Assurance Committee as an emerging risk.
66. Low levels of rainfall in the Taupo area in early autumn, particularly in February and April has seen a steady decrease in Lake Taupo levels in recent weeks. Levels have now approached the lowest level seen in Lake Taupo since 2013.

67. The graph below shows the historical water level trends for Lake Taupo since 2013. The 2020/21 lake level trend is indicated in red. The dark blue trend line in the graph shows the 7-year rolling average Lake Taupo level. The measurement on the left-hand axis of the graph shows the meters above the minimum operating level for Lake Taupo. If the minimum operating level is reached, the river system is operated so the outflows from the Karapiro Dam match the inflows to Lake Taupo. This can result in the Waikato River level downstream of the Karapiro Dam dropping significantly.



68. As previously reported, the Waiora Water Treatment Plant's water inlet pipe is set at a fixed level in the Waikato River. If river levels drop below the level of this pipe, the treatment plant is unable to physically pump water from the river to the treatment plant. In 2016, a dedicated floating platform with pumps was built to enable the pumping of water from the deeper part of the Waikato river into the water treatment plant during exceptionally low river levels. This contingency plan, if required, will ensure that the treatment plant can continue to treat and supply Hamilton with up to 70 million litres of treated water per day.
69. As part of the Three Waters Reform Stimulus funding programme of works, staff successfully undertook a trial deployment of the Low River Contingency plan over a period of 5 days early in April 2021. Part of these works was to also purchase additional pumps to increase the pumping capacity of the floating platform from a total volume of 70 million litres to approximately 90 million litres of treated water per day.
70. The deployment was the first implementation of the low river contingency plan since 2016 when the floating platform and pumps were constructed and commissioned. The trial deployment was undertaken successfully and provided an opportunity to refine processes and for staff to refamiliarize themselves with the plan and infrastructure should it be needed in the coming months or in future years.

71. Generally, the risk period for low water levels of Lake Taupo occurs during the April – June period of the year. Staff continue to closely monitor rainfall in the Taupo area and are in regular contact with Mercury and Waikato Regional Council to monitor both Lake Taupo and Waikato River levels.

Three Waters Reform – new emerging risk

72. In July 2020, the Government launched the Three Waters Reform Programme – a three-year programme to reform the way we deliver water services in New Zealand.
73. The aim of the programme is to protect the environment, protect public health and get the best efficiencies to ensure people can get three waters services that are safe, sustainable, and affordable.
74. The Government's aim is to move from water services being delivered by 67 local Councils to a structure managed by a small number of large, multi-regional entities. The exact size, shape and design of these entities is expected to be announced in the next few weeks.
75. In August last year Council unanimously agreed to join the first phase of the reform. The decision meant working with Government and other councils to explore the reform proposals and also meant access of up to \$17.46 million in Government stimulus funding for new water, wastewater and stormwater initiatives in the city.
76. It is expected that there will be many anticipated benefits of the reform which will have enduring and substantial benefits for the industry and the community. However, any change of this magnitude will naturally create tensions or uncertainties in some areas, and responsible management will identify and mitigate those risks. Therefore, there are matters that may require consideration should central government decide to proceed with establishing large multi-regional entities for provision of water including but not limited to:
- i. impacts on Strategic planning;
 - ii. disruption and uncertainty for staff;
 - iii. funding of active participation, transition and consequences of the reform;
 - iv. support for Informed decision making;
 - v. community wellbeing and engagement; and
 - vi. maintaining business as usual during a period of change.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

78. Staff confirm that the Strategic Risk Management Report complies with Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

79. 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').
80. 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.
81. The recommendations set out in this report are consistent with that purpose.

Social

82. 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

83. 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 threat of a resurgence of COVID-19. Council's management of the risks and opportunities in this report continues to reflect the impact on economic wellbeing.

Environmental

84. 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

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

Risks - *Tuuraru*

86. The Risk Register (**Attachment 1**) identifies the risks relating to this report.

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

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

Engagement




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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Strategic Risk and Assurance Committee - Risk Register - June 2021

Council Strategic Risk Register – June 2021

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

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

* There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death. (refer pp 20-25)





** Council takes the safety of our people and the community seriously and are working hard to reduce the likelihood of a serious harm incident. Due to the focus and definition of this risk relating to death or a serious injury, the risk rating (and by extension the target risk rating) can never reduce below 'High' because we consider the consequence to be 'catastrophic'. (refer pp 20-25)

Emerging Risks – verbal discussion topics

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

- City Water Supply – quality and quantity of intake from the Waikato River.
- Three Waters Reform Programme – reforming the delivery of water services in New Zealand.

Risk Type	Definition
Strategic	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	The risk of an event or impact that is internal or external to Council and could impact the whole organisation.
Operational	The risk of an event or impact that is internal or external to Council and could impact one or more Operational activity.
Emerging	Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence, high impact if they materialise.

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

Strategic Risk 1					
A Disaster Event					
A natural or human-induced disaster event (excluding an act of terrorism)					
Risk Owner – (GM Level)	Lance Vervoort	Category	Strategic Preparation and Disaster Recovery		
Risk Triggers					
<ul style="list-style-type: none">Natural disaster event without warning or build upSevere weather events that increase in intensity, including those events that are a result of climate changeCritical asset failure that impacts the safety of Hamiltonians – water, energy, telecommunications, financial, transportationCivil unrest – political or social unrest resulting in a security or safety threat to people or assets (excluding an act of terrorism)Disaster caused by failure of human-made structuresPandemic					
Inherent Likelihood	Possible	Inherent Consequence Driver Strategic Safety & Wellbeing,	Catastrophic	Inherent Risk Rating	Rating Very High
Existing Controls and Mitigations					
Emergency management					
<ul style="list-style-type: none">Annual external (NEMA) capability assessmentsCollaboration on emergency management response approach across agencies and the region.Co-located EOC in a dedicated leading-edge centre (Group Emergency Management Office – GEMO) with built in redundancy (including water and power supplies)Early warning processes are in place at a national and regional levelEmergency Management Framework – National Emergency Management Agency (NEMA), Group, Local Emergency Operations Centre (EOC) structureEmergency management training program TAKATU implemented for Council staffRobust emergency exercise schedule in place to test preparedness and response functionality					
Infrastructure resilience					
<ul style="list-style-type: none">Asset and service monitoring capabilityCriticality assessments and asset identification ratingsEngineering standards identified and managedActivity Management Plan (AMP) renewals, maintenance plans and operational strategies are funded in the 2018-28 10-Year Plan Budget and critical assets are given a higher priority for renewalAvailability of technical expertise to manage, monitor, operate and maintain critical assets and identify situations when early intervention is required to maintain asset condition and level of service.Infrastructure Strategy is in place to identify significant infrastructure challenges over the next 30 years, and to identify the principal options for managing those challenges and the implications of those options					
Further controls and mitigations relating to critical assets can be found in Organisational Risk #3.					

Residual Likelihood	Possible	Residual Consequence Driver Strategic Safety & Wellbeing,	Major	Residual Risk Rating	Rating Very High
Action Owner			Risk Treatment		
Kelvin Powell			Mitigate		
Improvement Plan	Previous updates			Update – June 2021	
<ul style="list-style-type: none"> Implementation of CDEM workplan deliverables ahead of next external Capability Assessment April 2021 	<ul style="list-style-type: none"> (December 20) - On Track and also being reported to the Community Committee quarterly (March 21) - Workplan actions continue but at a reduced pace due to vacancy of Emergency Management Officer – replacement commences 1 March. Focus actions for this quarter: <ul style="list-style-type: none"> Covid-19 resurgence prep Training delivery Preparedness and resilience building in our vulnerable communities 			<ul style="list-style-type: none"> Capability Assessment deferred due to assessor demand issues Covid-19 resurgence planning learnings implemented and tested New Emergency Management Officer in place Planning ongoing for Tier 2 (Regional) exercise in November Work programme update reported to Community Committee 18 May 	
<ul style="list-style-type: none"> Complete review of Covid-19 Post Action report to identify work programme and lessons learnt by April 2021 	<ul style="list-style-type: none"> (September 20) - Covid-19 debriefs completed, Post Activation report completed (December 20) - Under action. (March 21) - Critical lessons learnt from Covid-19 response incorporated into new plans for Regional based response for resurgence of Covid-19 in the community again. Changes incorporated into plans provide clarity and prevent duplication of effort. HCC Staff contributions have been identified and names assigned 			<ul style="list-style-type: none"> Covid-19 learnings implemented in the following: A regional 'Hub and spoke' approach adopted for future Covid related activations to maximise effectiveness. Local support plans for supporting DHB Covid testing site with excess demand issues developed and tested. 	

Strategic Risk 2					
Major Economic or Financial Shock					
An external financial event impacts Council's financial strategy, fiscal and monetary position.					
Risk Owner (GM Level)		David Bryant		Category	Financial
Risk Triggers					
<ul style="list-style-type: none">Global financial crisisRapid increases in inflation, 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 affordabilityCritical infrastructure failureMajor construction industry failureMajor government policy changes negatively impact Council's income streams or cost baseNatural 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)					
Inherent Likelihood		Unlikely		Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Major
				Inherent Risk Rating	High
Existing Controls and Mitigations					
<ul style="list-style-type: none">PwC, as Council's treasury partner, provides a report and meets with Council (both on a monthly basis) to discuss national and international economic and financial trends relevant to treasury mattersSix weekly financial forecasting and planning cycles through reporting to the Finance Committee, including a separate Financial Strategy reportMonitoring of macro trends (Finance, Treasury, Economic Growth team)Financial Strategy resilience - excess Local Government Funding Agency (LGFA) borrowing headroom (up to 300% debt to revenue ratio),Additional \$60M bank facilityFinancial scenario modellingCouncil's ability to urgently reprioritise and reduce capital spendingCouncil's ability to urgently reprioritise and reduce community levels of service spendingAvailability for options to respond to a shock, depending on the type of shock					
Residual Likelihood		Unlikely		Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Serious
				Residual Risk Rating	Medium
Action Owner			Risk Treatment		
Tracey Musty and Greg Carstens			Mitigate		
Further Action		Previous updates			Update – June 2021

<ul style="list-style-type: none"> • Provide a 10-year plan (2021-2031) by June 2021 to update and assure Council on resilience of debt from the impacts of Covid-19 on Hamilton and the implementation of initiatives to support the wellbeing of Hamiltonians. 	<ul style="list-style-type: none"> • (December 20) - 2021-31 LTP underway. Clear indication that the impacts of Covid-19 will impact our city and the wellbeing of Hamiltonians well past 20/21. We have rolled out a 12-point recovery plan to provide short-term financial relief and support to Hamiltonians as well as plan for the support and rebuild of our city in the long term via our capital & job creation programmes as well as economic stimulus and development forum. We continue to incorporate the principles & learnings to date into our LTP. Moreover, we continue to explore a range of options (rate increases, targeted rates, Insurance, fixed/variable debt, Government Funding of infrastructure assets, financial assets, etc.) to ensure our debt remain within our debt limits while providing maximum flexibility and cost efficiency. • (March 21) In February 2021 Council will be approving the draft LTP to go out for Consultation with the community. 	<ul style="list-style-type: none"> • The final 2021-2031 LTP will be adopted by Council in June 2021. • The resilience for any major shock in Years 4-6 has now lessened. • The risks and associated mitigations will be reviewed at the next SR&A workshop
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Strategic Risk 3					
Increasing Compliance Standards					
The risk of central government and regional council increasing compliance standards, or changes in community expectations resulting in increased compliance standards.					
Risk Owner – (GM Level)	David Bryant	Category	Environment Strategic		
Risk Triggers					
<ul style="list-style-type: none">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 disasterContinued or serious breaches leading to increased compliance requirements and regulationCommunity service-level expectations in management of water quality, recycling, climate change and other services not being metFailure to plan long term for consenting requirements (both as a regulator and a regulated entity)Regional Council changes its policies to ensure legislative compliance (e.g. Healthy Rivers policy)External audit identifying major non-compliance within HCC operations (e.g. by International Accreditation New Zealand)Legal challenge to HCC policy or practice resulting in findings of non-compliant practicesChange in stakeholder partner expectations for environmental performanceChanges to our own District Plan impacting other parts of the business (e.g. changes to resource consents affect consented Three Waters activities)					
Inherent Likelihood	Possible	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance	Major	Inherent Risk Rating	Rating Very High
Existing Controls and Mitigations					
<ul style="list-style-type: none">Community consultation and understanding community needsEngagement with our iwi partner and maataawaka to understand expectations, including in terms of iwi through the Joint Management AgreementMaintaining relationships with neighbouring councils and working together to inform relevant policiesCouncil’s Compliance PolicyExternal monitoring services and advice from external legal service providers on an ad hoc basis, as well as regular quarterly updatesIn-house legal advisor provides updates to staff on key legislative changes and advises staff on matters of legislative complianceCouncil subscribes to legal update emails to keep up-to-date with changes, and these are distributed to key staffInternal resources that analyse the impacts of compliance changes (decentralised and role-specific)SLT and Elected Members – assurance requestsKey stakeholder engagement, including making submissions to central government on proposed changes affecting compliance requirements					

<ul style="list-style-type: none"> Infrastructure Strategy (2018-2048) and 10 Year Plan ensure projects and resources are in place to deal with increasing compliance requirements HCC bylaws and policies ensure community expectations and regulatory standards are met in a consistent manner Independent audits of HCC practice, including by the New Zealand Transport Authority and International Accreditation New Zealand, to ensure ongoing compliance Independent accreditation of HCC facilities (e.g. drinking water laboratory is accredited by International Accreditation New Zealand) Competency assessments for staff, including building officers Establishment of new quality control roles (including two recently established in the Building Control Unit) HCC's Chief Executive is involved with the Construction Sector Accord which allows HCC to keep up to date with and influence changes in the sector Internal and external reporting (e.g. drinking water test results) ensures ongoing monitoring and compliance Notification protocols are in place in respect of various incidents, including wastewater overflow and drinking water concerns, which mitigate risk in the event of an incident Incident Management Team is stood up to respond to incidents such as a natural disaster or pandemic and liaises with internal/external parties as necessary and distributes key information to staff to ensure compliance 					
Residual Likelihood	Possible	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance	Serious	Residual Risk Rating	Rating High
Action Owner			Risk Treatment		
Michelle Hawthorne			Mitigate		

Improvement Plan	Previous updates	Update – June 2021
<ul style="list-style-type: none"> Council to consider WLASS Joint Procurement Project to invest in the compliance programme for effective reporting on legislative compliance. Next milestone: June 2021 	<ul style="list-style-type: none"> (March 21) - Waikato and Waipa DCs are progressing a project for procurement of compliance monitoring software with WLASS input. 	<ul style="list-style-type: none"> Staff are reviewing other options for compliance as part of scoping this project, including an adaptation of existing platforms. Waikato DC is currently planning the project for implementation of a platform which we are reviewing.
<ul style="list-style-type: none"> Review the impacts of The Privacy Act 2020 on council's businesses and develop an action plan by end of March 2021 (extended to June 2021) 	<ul style="list-style-type: none"> (December 20): New IP (March 21) - Due to staff changes work on this review has been extended to June 2021 	<ul style="list-style-type: none"> We are reviewing the Privacy Policy we present for our customers/users with the plan to launch these changes along with the redeveloping the Hamilton.govt.nz website.

		<ul style="list-style-type: none"> • Amendments have been made to Council's Delegations to Positions Policy to reflect the PA 2020 structure (June2021) • Organisational training is being scheduled using the Privacy Commission suite of e-learning tools
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Item 8

Attachment 1

Strategic Risk 4					
Cyber Attack <i>Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal, and financial losses.</i>					
Risk Owner (GM Level)	David Bryant	Category	Disaster Recovery/ Business Continuity		
Risk Triggers					
<ul style="list-style-type: none">IT/OT technology advances – positive and negativeInadequate identification of IT security trends, themes, detection and responsesPoor IT/OT Security awareness / culture / behavioursPoor IT/OT security operational practicesRelease and change management lacking a security focus – not “secure by design”Privacy BreachOutdated hardware and inadequate architectureInadequate competency at organisational levelSpecific targeting and malicious exploitation of security vulnerabilities across Council IT asset infrastructure, or Operational TechnologyInternational trends and attacks not being considered in NZMalicious activity targeting central and local government entities.Underinvestment in Information Services (infrastructure, technology, resource)Lack of maintenance in information technologyInadequate access control to key systems					
Inherent Likelihood	Possible	Inherent Consequence Driver Service Delivery	Catastrophic	Inherent Risk Rating	Rating Very High
Existing Controls					
Identify <ul style="list-style-type: none">Risk based approach - Three lines of defence (management control, risk management, independent assurance)National Cyber Security Centre (NCSC) monitoring and trend analysis reporting of local and international IT security challenges – internal and externalNational and international cyber-attack trends are monitored and assessed by the CIO and CTO to guide system capability investments.Security Governance and Risk Management practices implementedPolicies, Standards and Enablers are documented and communicated regularlyRisk management frameworks, methods and tools are fit for purposeOngoing Cyber awareness education for staff, contractors, customers and Elected Members					
Protect <ul style="list-style-type: none">Systems and information are secured by designTools, systems and resources are now available to protect against, monitor and resolve potential malicious activity.Contractual service level agreements are monitored and maintainedAccess to Hamilton City Council services are managed effectivelyInformation and assets have implemented processes and controls					
Detect					

<ul style="list-style-type: none"> • Reviews on Council's IT technology environment are conducted to improve detection and response capabilities. • External and internal security audit and reviews • Networks, systems and operations security will be assured through vulnerability and anomaly detection tools • Physical environments will have appropriate physical and technology safeguards • Timely and accurate reporting 					
Respond					
<ul style="list-style-type: none"> • Response plans processes are in place and tested • Council is supported by the NZ National Cyber Security Centre (NCSC) for response to attacks and receives quarterly trend updates for consideration. • Technical support from key vendors - Microsoft and Fujitsu 					
Recover					
<ul style="list-style-type: none"> • Business continuity and disaster recovery (BCDR) processes in place and tested • Cyber recovery planning processes known, understood, and practiced • Ensuring data survivability, data will be backed up and available 					
Residual Likelihood	Unlikely	Residual Consequence Driver Service Delivery	Major	Overall Residual Risk Rating	Rating High
Action Owner			Risk Treatment		
Murray Heke			Mitigate		

Improvement Plan	Previous Updates	Update – June 2021
<ul style="list-style-type: none"> • Develop Organisational Online Cyber awareness programme by June 2021, classroom based by December 2021 	<ul style="list-style-type: none"> • (June 20) Work to commence July 2020 • (September 20) - Initial discussions held with potential vendors • (Dec 20) Discussions ongoing with potential vendors • (Mar 2021) - Currently trialling self-paced security awareness training modules (e.g. phishing, passphrases). Proposals from vendors being evaluated 	<ul style="list-style-type: none"> • Online training solution now implemented • Classroom based training being scoped
<ul style="list-style-type: none"> • Complete an initial assessment of threats, vulnerabilities against critical assets and assess risk profile by March 2021 	<ul style="list-style-type: none"> • (Dec 20) Assessments of threats and vulnerabilities are occurring on a daily basis as part of normal operations (e.g. evaluation of critical software patches). This improvement action is to embed these activities in our strategic framework to improve our maturity in this area. This will be progressed now that the 	<ul style="list-style-type: none"> • Security operation services RFQ is in progress

	<p>Security and Risk specialist position has been filled.</p> <ul style="list-style-type: none"> • (Mar 21) - All HCC self-hosted servers are now routinely evaluated for vulnerabilities (automated process). Work to commence on defining the subsequent remediation processes. Work to commence on defining the list of critical assets 	
<ul style="list-style-type: none"> • OT Improvement Plan – coordinated and aligned OT and IT environment by December 2021 	<ul style="list-style-type: none"> • New Improvement plan 	<ul style="list-style-type: none"> • Critical asset register has been created
<ul style="list-style-type: none"> • Establishment of a Security Operations (SecOps) function by August 2021 	<ul style="list-style-type: none"> • (Dec 20) To be initiated now that the Security and Risk specialist position has been filled. (Mar 21) - About to commence discussions with potential vendors. RFQ to be released in March 	<ul style="list-style-type: none"> • Security operation services RFQ is in progress

Strategic Risk 5					
Growth <i>Significant change in growth demand, and/or the consequences of growth do not deliver positive outcomes for the community.</i>					
Risk Owner (GM Level)	Blair Bowcott	Category	Strategic, Service Delivery		
Risk Triggers					
Understanding growth <ul style="list-style-type: none">Wider economic downturnPopulation growth rates change (either natural change or through internal or international migration rates).Significant change in the market – either demand or supply side, due to e.g. construction cost inflation and restrictions on credit.Significant change in public perception of growth or growth outcomesInadequate skills, data or modelling and scenario planningChanges in growth projections as a result of climate change impacts on population spread in New Zealand and overseas					
Growth decisions <ul style="list-style-type: none">Council’s decisions that impact desired growth outcomes e.g. growth opened on too many fronts, lack of funding for desired levels of outcome etcInadequate provisions in of application of the District Plan to deliver positive outcomes for people / environmentNeighbouring councils make growth decisions around Hamilton’s border that are not aligned with Hamilton’s desired growth strategyChanges in Government Policy or legislation impact on desired growth outcomes or our ability to effectively respond to growthRequests from developers for unplanned, out of boundary and/or out of sequence developmentsCentral Government funding and financing initiatives such as Housing Infrastructure Fund, Infrastructure Funding (IFF) and Financing and the Housing Acceleration Fund (HAF)					
Growth consequences <ul style="list-style-type: none">Groups within Council planning and budgeting for growth separately versus in a joined-up way					
Inherent Likelihood	Possible	Inherent Consequence Driver Service Delivery	Major	Inherent Risk Rating	Rating Very High
Existing Controls and Mitigations					
Understanding growth <ul style="list-style-type: none">Growth Funding & Analytics Unit in place to function as Council’s growth funding, growth projection and economics specialistsHCC Growth and Development Contributions model provides data analysis, forecasting and scenario management. Inputs and modelling externally peer reviewed.Hamilton Housing Market & Economy Growth Indicator Report provides quarterly, regional analysis of growth, housing and market/economic driversNational Policy Statement Urban Development - a sub-regional review of land use, demand and supply completed in 2017 and finalised in early 2021.Analytics Strategy – adopted in 2019 to support evidence-based decision making and provide insights, principally about growth					

<ul style="list-style-type: none"> Monitoring the broader environment and how it could impact growth rates and including this in modelling, including monitoring migration forecasts 					
Growth decisions					
<ul style="list-style-type: none"> Scenario modelling report completed in September 2019 to illustrate modelled effects of higher or lower growth in Hamilton, and to articulate Council's decision-making levers and timelines if growth projections change markedly. Growth Funding Policy in place for out of sequence and unfunded developments. Engagement with neighbouring Councils on strategic growth planning (Metro Spatial Plan, FutureProof partnership, Growth discussions at CE and Governance level, good officer level relationships). Engagement with Central Government to explore and implement new tools for funding and delivering growth related projects, for example IFF and HAF. Preparation of growth programme business cases to assist with investment decisions into growth cells. The business cases have a wellbeing lens (vs just economic) and include the full costs of the growth cell including community and network infrastructure, consequential operating expenditure, commercial considerations and how the programme will be delivered. Strategic and consequential infrastructure costs are considered and investigated as part of the zoning decisions process (high level business cases prepared as required). Management of Resource Consent applications on a consent-by-consent basis using existing District Plan Controls. Changes to District Plan (plan changes) where required to support better community wellbeing outcomes. Private Developer Agreements in place for provision of infrastructure. Submissions on any neighbouring councils plan changes. 					
Growth consequences					
<ul style="list-style-type: none"> Numerous strategies and plans in place to manage the outcomes of a growing city including Regional Policy Statement, Hamilton-Waikato Metro Spatial Plan, Hamilton Urban Growth Strategy, District Plan. Whole of Council Programme/spatial approach to planning for and delivering new growth areas. Growth Programmes team in place to weave people and projects together to deliver wellbeing outcomes for new and existing growth communities. Formal Programmes are in place for Peacocke, Northwest, Ruakura and Central City. 					
Residual Likelihood	Possible	Residual Consequence Driver Service Delivery	Serious	Overall Residual Risk Rating	Rating High
Action Owner				Risk Treatment	
Karen Saunders, Greg Carstens				Mitigate	
Improvement Plan	Previous updates			Update June 2021	
Deliver revised Hamilton Urban Growth Strategy, by June 2022	New Treatment Plan			<ul style="list-style-type: none"> Scope was approved at Strategic Growth Committee meeting 30 March 2021 Staff currently planning the project and appointing key resources. 	
Develop a set of draft principles and implement a	New Treatment Plan			<ul style="list-style-type: none"> Draft Principles were presented to the HUGs Councillor Reference Group on 	

process for responding to out of boundary developments, by 30 June 2021		<p>3rd May 2021 and are being presented to the Strategic Growth Committee on 20th May 2021.</p> <ul style="list-style-type: none"> Staff are developing a process for responding to requests from developers.
Review staff resourcing to manage and comprehensively engage with unplanned, out of sequence and out of boundary development proposals and District Plan reviews by September 2021	New Treatment Plan	<ul style="list-style-type: none"> Staff are reviewing necessary resourcing with GM Growth

Strategic Risk 6					
Political Changes or Decisions Impact Council’s Strategic Direction					
Political stakeholders make decisions or take actions that significantly impact or contradict Council’s strategic direction.					
Risk Owner (GM Level)	Blair Bowcott	Category	Executive Director of Special Projects		
Risk Triggers					
<ul style="list-style-type: none">Political changes including central government strategic direction and legislative changes creates risk or opportunitiesLocal political changes, including potential misunderstanding of Council’s intentPolitical personalities, trust and relationships and change of key personnel – positive & negativeFailure to manage stakeholder relationships, communication and engagement tactics, including due to a lack of resource or need to balance prioritiesShort term focus overshadows long term cost benefit outcomesPolitical sovereignty/patch protection, lack of alignment or willingness to compromise ie boundaryless approach vs localismFinancial strategy misaligned with wider contextInternational events, trends or decisions influence NZMajor projects or initiatives for the benefit of Hamilton accelerating or slowing down <p>Note* Political risk is essentially the probability that a political action/decision will significantly affect Council’s strategic direction —whether positively or negatively.</p>					
Inherent Likelihood	Possible	Inherent Consequence Driver Strategic Political Service Delivery	Major	Inherent Risk Rating	Rating Very High
Existing Controls and Mitigations					
<ul style="list-style-type: none">Regular engagement with stakeholders at political and executive level – shared responsibility to manage key relationshipsRegular meetings with Government Ministers and MPs (both government and opposition, GovernmentCollaborative governance group meetings to progress alignment of strategic direction - Mayoral Forum, Future Proof, Waikato Plan, CEO Forum, Waikato Local Authority Shared Services (WLASS), Regional Transport Committee, neighbouring Councils and other strategic discussions externallyRegular Council briefings for sharing of information and alignment of thinkingMonthly SLT discussion to ensure awareness of strategic initiativesCulture, expectation and policies of HCC organisation regarding behaviours of political, executive and staff and Council Controlled Organisations.Participation in national and regional advisory groups on strategic topicsProactive steps are taken at the start of each local government triennium to re-establish relationships with counterparts and stakeholders, so that we can develop a common understanding of strategic direction					
Residual Likelihood	Possible	Residual Consequence Driver Strategic Political Service Delivery	Major	Overall Residual Risk Rating	Rating Very High
Action Owner		Risk Treatment			

Senior Leadership Team – (Blair Bowcott)	Mitigate
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Improvement Plan	Previous updates	Update – June 2021
<ul style="list-style-type: none"> Key Stakeholder Engagement Plan in place by 30 June 2021. 	<ul style="list-style-type: none"> (March 21) - This plan is in the process of being prepared and will align with the CEO KPI's. 	<ul style="list-style-type: none"> The draft plan is due for completion on 30 June 2021.

Strategic Risk 7					
Significant Shortage of Key External Resources					
The market is unable to deliver necessary resources to achieve our strategy; including but not limited to people and material for projects.					
Risk Owner – (GM Level)	Chris Allen	Category	Service Delivery and People		
Risk Triggers					
<ul style="list-style-type: none">Major construction sector skills/labour shortage - capacity and capabilityPolitical changes in the labour market (e.g. immigration policy changes)Regional or national investment decisions leading to increased demand for construction resources and market congestion – i.e. significant increase in capital portfolios nationallyClients competing for the same resourcesSupply chain company failuresSupply chain investment confidence - i.e. forward work confidence to invest in people, plant and technologyKey construction material shortages or delays - particularly pipes, bitumen, oil, steel, aggregate and concreteCOVID-19 Alert LevelsInternational supply chain breakdownAccelerated works programmes as a result of accelerated growth or additional funding (ie/ central government investment) taking place at a faster rate, or in a different way, than forecast					
Inherent Likelihood	Possible	Inherent Consequence Driver Social, Cultural and Environment	Major	Inherent Risk Rating	Rating Very High
Existing Controls and Mitigations					
<ul style="list-style-type: none">Forward works pipeline visibility and supply chain engagement - communication of the HCC capital portfolio regionally via regular presentations/updates and nationally via contributing to the NZ Infrastructure Commission national pipeline.Working with other councils and NZTA to coordinate the workload to the market including active involvement in the Waikato LASS coordinated infrastructure initiative.Established procurement planning frameworks – including procurement policy and procedures in accordance with NZ Government procurement requirements and principles of the Construction AccordProcurement optimisation – including reviews undertaken to ensure contract conditions and commercial terms of our contracts are attractive to industryUtilising panel arrangement for procurement and engagement of professional services, ensuring greater speed in procuring key resources and increased forward workload confidence for suppliers.					
Residual Likelihood	Possible	Residual Consequence Driver Social, Cultural and Environment	Major	Overall Residual Risk Rating	Rating Very High

Action Owner	Risk Treatment
Chris Barton	Mitigate

Improvement Plan	Previous Updates	Update – June 2021
<ul style="list-style-type: none"> Optimise procurement processes and contracts to enable Hamilton City Council to be a construction industry client of choice by the end of 2021. 	<ul style="list-style-type: none"> (September 20) – Review of construction contract templates and special conditions completed to ensure industry alignment and reasonable risk allocation. (December 20) - Subject to further clarity of the 2021-31 LTP forward works programme, a strategic review of capital portfolio procurement is planned in early 2021 to identify optimum delivery bundles, contract models and procurement timing. (March 21) - A plan for delivery of the 2021-31 LTP forward works programme is currently under development, including identification of contract works aggregation and longer term engagement opportunities. 	<ul style="list-style-type: none"> A preferred strategy has been identified including implementation of long term competitive and performance based panel arrangements to deliver a significant component of the forward works programme. This will enable: <ul style="list-style-type: none"> longer term workload certainty for contractors to invest in people, plant, technology and relationships more efficient delivery with reduced wastage to improve delivery timing and generate savings opportunities to integrate broader wellbeing outcomes into programme delivery KPIs Supply chain engagement is currently underway to seek feedback on this proposed strategy.
<ul style="list-style-type: none"> A review of the regional 2021-31 forward works programmes (multiple councils) is completed to identify opportunities to coordinate procurement and delivery for incorporation into delivery planning by June 2021. 	<ul style="list-style-type: none"> (September 20) - Council have been supporting Waikato LASS to fulfil a regional strategic procurement role including seconding a council staff member in early 2020 to develop a regional forward works pipeline. (December 20) - Opportunity to collaboratively review regional forward works programme throughout 2021-31 10YP development to identify potential works staging conflicts or opportunities. (March 21) - WLASS have been provided with a copy of the draft HCC 2021-31 capital works programme and are currently in the process of reviewing this along with other Councils plans for regional delivery optimisation opportunities. 	<ul style="list-style-type: none"> Development of an integrated regional pipeline has been delayed while councils confirm their 2021-31 LTP programmes, however in the interim Waikato LASS have identified some opportunities for co-ordinated works delivery which are currently being assessed.

<ul style="list-style-type: none"> • Ensure internal resourcing is recruited and in place to effectively deliver planned controls and mitigations by June 2021 	<ul style="list-style-type: none"> • (December 20) - Continued learning and development focus for key staff regarding procurement strategy and planning. • (March 21) - Additional suitably experienced internal project management and governance resources are being sourced to align with the increasing capital works programme. Further resource capacity and capability requirements will be identified as part of the current LTP delivery planning exercise. 	<ul style="list-style-type: none"> • There is a nationwide shortage of suitably qualified and experienced construction industry personnel, which is making it challenging to attract and fill key vacancies. Moving toward performance based collaborative contract models will require additional commercial management capability.
<ul style="list-style-type: none"> • Initiate and review construction industry survey feedback for supply chain insights by July 2021. 	<ul style="list-style-type: none"> • (September 20) - Initiated a construction industry survey in collaboration with the Waikato branch of Civil Contractors NZ. • (December 20) - Continuing to align with the NZ Infrastructure Commission, Construction Accord and the Waikato branch of Civil Contractors NZ, including reviewing industry feedback surveys. 	<ul style="list-style-type: none"> • Leveraging CCNZ national construction industry annual survey insights – noting 2021 survey is currently live with results anticipated late July. • Local feedback from the Civil Contractors NZ Waikato Branch is that forward works pipeline information is key. • HCC are initiating and leading a construction industry briefing session in late June including key regional client organisations.

Strategic Risk 8					
High-Level security threat or major emergency					
A safety, security or environmental attack materialises and impacts Council's strategic direction.					
Risk Owner (GM Level)		David Bryant	Category		Strategy Safety and Security
Risk Triggers					
<ul style="list-style-type: none">Large Scale Physical attack on people in public placesPhysical attack on city critical infrastructure – e.g. Waste Water Treatment Plant, Water Treatment Plant, reservoirs designed to compromise integrity of service.Civil unrest – redirection of resources to protect vulnerable people and assetsChemical or biochemical attack					
Inherent Likelihood	Possible	Inherent Consequence Driver Social, Cultural and Environment	Catastrophic	Inherent Risk Rating	Rating Very High
Existing Controls and Mitigations					
<ul style="list-style-type: none">Regional and National Emergency Service Relationship Management – made up of Elected Members and officials. Council has representatives on the Regional Joint Committee and the Waikato Coordinating Executive Group (CEG)Security risk assessments have been completed for key identified HCC facilities, with mitigating recommendations for implementation.Business continuity and Emergency Response plans have been completed for some business units.					
Residual Likelihood	Unlikely	Residual Consequence Driver Social, Cultural and Environment	Major	Overall Residual Risk Rating	Rating High
Action Owner			Risk Treatment		
Heather Burden			Mitigate		

Improvement Plan	Previous Updates	Update – June 2021
Physical Security Adopt and Implement accepted recommendations for remaining SRAs. (June 21).	<ul style="list-style-type: none"> (December 20) - Security Risk Assessments (SRA) and findings now completed for 12 community facing facilities and reviewed by the businesses to inform a gap analysis. Will be presented at December SRAC Workshop (March 21) – SRA adopted and being implemented in stages <ol style="list-style-type: none"> Just Do It (JDI) Projected planned maintenance (PPM) Long term plan 	<ul style="list-style-type: none"> SRA recommendation findings completed. Stage 1 (JDI) and 2 (PPM) action plans commenced Tender process for Robbery and Conflict training commenced

<p>Peer Review SRAs outside Lite Project Management Plan (LPMP). (Date to be determined)</p> <p>Identify and complete special SRA projects outside the LPMP. (Date to be determined)</p>	<ul style="list-style-type: none"> • New Treatment Plan 	<ul style="list-style-type: none"> • Review of new reception design for Gardens complete
<p>Governance Review of Organisational Security Risk Assessment (OSRA) by December 2021</p> <p>Outline the implementation of the national PSR Governance Framework to guide the scope of best practice in physical security (to commence in 2021)</p>	<ul style="list-style-type: none"> • Covid-19 delayed the establishment of the PSR Governance Model. • (March 21) - On hold until result of SRA mitigation implementation of current recommendations is finalised. 	<ul style="list-style-type: none"> • Review of OSRA in progress. • Setting up security governance group to consider development of a Security Framework
<p>Review the HCC Crisis Management Plan to extend an HCC-wide response approach to include crisis management capability by November 2021</p>	<ul style="list-style-type: none"> • (December 20) - Currently sourcing external expert to support the review of plans as well as extend review to broader emergency management and HCC civil defence planning to ensure alignment. Review to include ensuring operational capability and preparedness of staff (education requirements are in place) to ensure plans can be activated easily and quickly. • (March 21) - Planning is in progress, including setting up a team of staff to drive this forward internally. 	<ul style="list-style-type: none"> • An internal Working Group has been set up to develop a detailed crisis management action plan. This includes identifying key urgent actions along with other areas for improvement.

Strategic Risk 9					
Climate Change <i>Failure to adapt to the changing environment as a result of climate change, including failure to mitigate the organisations contributions to greenhouse gas emissions</i>					
Risk Owner	Sean Hickey (GM Strategy and Communications)		Category	Strategic Preparation and Disaster Recovery Environment	
Risk Triggers					
Understanding climate change <ul style="list-style-type: none">• Council’s strategies and plans do not adequately consider appropriate climate change scenarios• Changes in political direction (including local, regional and national) on climate change• Economic, social and technological shocks resulting from the transition to a lower-carbon economy• 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					
Decision making <ul style="list-style-type: none">• Misalignment between Council’s climate change strategies and operational activities• Failure to consider climate change appropriately in fit for purpose activity management• Failure to appropriately consider climate change in growth decisions.					
Inherent Likelihood	Likely	Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance	Major	Inherent Risk Rating	Rating Very high
Existing Controls and Mitigations					
Governance, Strategies and Plans <ul style="list-style-type: none">• 2020/2021 Climate Change Action Plan approved outlining the actions being taken this year to build our knowledge, deliver change and build capacity• Climate change steering group established – to report to SLT and Environment Committee• Environment Committee has responsibility for climate change response• Collaborating with stakeholders, Councils and businesses on the regional response• Draft 2021-2031 Long Term Plan includes climate change consideration• Draft 2021-2051 Infrastructure Strategy includes climate change consideration• Activity Management Plans incorporate climate change considerations.• Hamilton City Council Emissions Reduction Roadmap outlines actions to reduce the Councils operational emissions• Citywide emissions profile for 2019/29 provides Council with an understanding of key emissions reduction opportunities					

Residual Likelihood	Likely	Residual Consequence Driver Social, Cultural and Environment	Major	Overall Residual Risk Rating	Rating Very high
Action Owner			Risk Treatment		
Julie Clausen			Mitigate		

Improvement Plan	Previous Updates	Update – June 2021
<ul style="list-style-type: none"> Develop a 3-year readiness action plan from the climate change readiness assessment for Hamilton City Council by 30 June 2021. 	<ul style="list-style-type: none"> (March 21) – NEW IP 	<ul style="list-style-type: none"> Delay in receiving final report from consultants. Action plan now under development.
<ul style="list-style-type: none"> Develop a draft climate change policy that sets out the appropriate climate change scenarios to use, governance for climate change, capability and capacity requirements by December 2021 	<ul style="list-style-type: none"> (March 21) – NEW IP 	<ul style="list-style-type: none"> Process of developing the policy has commenced. Project plan is currently being developed.
<ul style="list-style-type: none"> 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 December 2021. 	<ul style="list-style-type: none"> (March 21) – NEW IP 	<ul style="list-style-type: none"> Guidance from Ministry for the Environment is due to be finalised by December 2021, propose to do a two-phase process for risk assessment.
<ul style="list-style-type: none"> Development of a climate change strategy that outlines the Council's approach to mitigation and adaptation by June 2022. 	<ul style="list-style-type: none"> (March 21) – NEW IP 	<ul style="list-style-type: none"> Process of developing the strategy has commenced. Project plan is currently being developed.

Organisational Risk			
H&S – Workers (incl. contracted workers & volunteer workers) <i>Failure to ensure the health and safety and wellbeing of council staff or workers whose activities are influenced or directed by council, while the workers are carrying out work.</i>			1
Risk Owner	David Bryant (GM Corporate)	Category	Health & Safety
Risk Triggers <ul style="list-style-type: none"> Poor safety culture and/or behaviours across organisation Failure to understand duties and accountability relating to health and safety Critical health and safety risks not identified, assessed and mitigated adequately Safety Management System (SMS) ineffective or inefficient or implementation failures Inadequate contractor management frameworks, including procurement and assurance practices Not sharing or acting on information and lessons learnt – internal and external to Council Complacency leading to greater risks being taken Failure to properly engage with and listen to staff Staff under resourcing leading to identified risks not being mitigated appropriately Time pressures and or complacency leading to acceptance of high levels of risk 			

Inherent Risk

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

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

(A) Risk of serious injury, illness or death

(B) Risk of other significant incidents as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations
<ul style="list-style-type: none"> Council undertakes an annual engagement survey that includes wellness and safety elements to help assess the level of organisational maturity and perception relating to the importance placed on health and safety. Our High Performance Way of Working provides a clear framework to support and establish accountabilities relating to health and safety, for example, Job Descriptions, Inductions, Game Plans and our Set, Enable and Expect principles.

- Council's critical safety risks are reviewed regularly. We have in place control management plans based on the hierarchy of control and the residual risk score following the implementation of these controls are accessed by their effectiveness to mitigate the risk. Critical risks are reported on regularly.
- Prequalification and Safety Standards for Contractors performing physical works on Council's behalf are assessed and maintained through our SLA with SHE Software and Solutions.
- Our Safety Management System (SMS) has been updated to better achieve our safety objectives consistently and systemically across the whole of Council. Having in place our SMS helps us meet our legislative obligations and facilitate organisational learning to help foster a positive safety culture, attuned to our high-performance way of working.
- Council has an effective safety governance structure to facilitate information flow, decision making and oversight to achieve a collective uplift in safety performance through improved worker engagement.
- Council has in place a safety software system that provides reporting capability, data and intelligence, meets compliance standards, enables good safety governance and due diligence.
- Assurance activities are carried out regularly and include both internal and external assessments to ensure good practice, compliance and continuous improvement. Council has commissioned a full Health and Safety reset, including: The State of Safety Review, High Level Critical Risk Learning Teams, Safety Events and Investigations and a Safe Plus External Review
- Appropriate resources are available to ensure that Council has the right capabilities and the right number of resources sufficiently needed to implement and maintain the SMS fundamentals, supported by external expertise as and when required

Residual Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Almost certain	H	H	VH	E	E
	Likely	M	H	VH	VH	E
	Possible	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Rare	L	L	L	M	H
Action Owners						Risk Treatment
Dan Finn, Karin Barclay						Mitigate
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.						

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

(A) Risk of serious injury, illness or death

(B) Risk of other significant incidents (as defined in the Health and Safety at Work Act).

Organisational Risk			
Safety and Wellbeing of the Community <i>Failure to create, provide and maintain a safe environment for the community leading to a serious injury incident or fatality.</i>			2
Risk Owner	Lance Vervoort (Deputy CE / GM Community)	Category	People
Risk Triggers			
<ul style="list-style-type: none"> Poor HCC understanding of the health and safety risks within the facilities and services provided and managed by Council Failures in safety-in-design planning for our amenities and services provided to the community Failures in asset maintenance Failure in due diligence on assets purchased for use by the community or staff Failure in due diligence on maintenance Human error / inappropriate behaviours / criminal behaviour or damage at Council assets Complacency leading to greater risks being taken by the community of public safety issues Failure to properly engage with and listen to the community Failure to act on staff and public information or lessons learned from near misses and incidents (including lessons from other industry experiences) BCP and Pandemic Plans are not adhered to Failure to consider climate change impacts on the community safety and wellbeing 			

Inherent Risk

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

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

(A) Risk of serious injury or death

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

Existing Controls and Mitigations
<ul style="list-style-type: none"> Emergency response and Pandemic plans Emergency and safety response training drills Specific training programmes for staff within facilities and service management Subject matter expert support – internal and external Incorporated risk assessments and safety in design planning Traffic management plan adoption per requirements Maintenance and monitoring plans – buildings Operational asset maintenance (trees and operational infrastructure)

- Condition assessments for assets
- Communication plans for new projects around safety requirements
- Community education support for ongoing Community safety
- Management drop-ins and Unit Audits

Residual Risk (expected rating)

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

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

(A) Risk of serious injury or death

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

Action Owner		Risk Treatment
3LT – (Rebecca Whitehead)		Mitigate
Improvement Plan	Previous updates	Update- June 2021
<ul style="list-style-type: none"> • Design and implement an appropriate monitoring and reporting framework Risks relevant to Organisational Risk 2 	<ul style="list-style-type: none"> • (September 20) - Framework in development due for completion August 2020. Reporting to community group leadership commences September 2020. • (December 20): Specific resource has been hired to support the Community Group to achieve IP due to conflicting priorities across the business. This work will be completed pre-Christmas and will be reported on at the first SRAC workshop in 2021 • (March 21) - The report on the monitoring and reporting framework for other Risks relevant to Organisational Risk 2 will be presented to the June 2021 SRAC meeting. 	<ul style="list-style-type: none"> • The reporting framework and interactive dashboard, which will provide to provide assurance around the completion of identified improvement actions is currently being finalised and will be reported to the September SRAC meeting in the 2021/22 financial year.

Organisational Risk			
Failure of critical assets <i>Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).</i>			3
Risk Owner	Eeva-Liisa Wright (GM City Infrastructure Operations)	Category	Financial

Risk Triggers					
Asset Management <ul style="list-style-type: none"> Assets being operated outside of design scope as a result of regulation change or change in demand or that the operation of the asset exceeds design assumptions. Failure to accurately forecast capacity limits or inaccurate demand forecasting on critical assets Failure to accurately forecast useful life on critical assets Failure to future proof asset to allow for pending changes in requirements Failure to carry out and prioritise planned maintenance and renewal of critical asset Failure to deliver renewal of the asset within scheduled timeframe Failure to identify all critical assets Failure to install asset correctly (including poor procurement processes to begin with) Failure to procure/renew the asset with an appropriate replacement 					
Planning <ul style="list-style-type: none"> Inadequate budget allocated for maintenance and renewal of critical assets Incorrect analysis in development of maintenance and renewal requirements Insufficient resources to deliver renewal of assets on time and within allocated budgets 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. Misalignment in the timing of investment with the required levels of service or that key deliverable dates not identified appropriately Poor or incomplete asset data Stakeholder specifications and expectation of asset increase making the asset no-longer fit for purpose Failure to consider climate change in critical asset investment 					
Procurement <ul style="list-style-type: none"> Critical manufacture service agents unavailable to resolve major failure of critical assets 					
Other <ul style="list-style-type: none"> Utility service and third-party critical impacts (stakeholder relationships) Limited anomaly detection capability and poor identification of vulnerabilities Failure to identify threat actors who wish to exploit technology vulnerabilities 					
Inherent Likelihood	Possible	Inherent Consequence Drivers Safety & Wellbeing,	Major	Inherent Risk Rating	Rating Very High

		Financial, Service Delivery, Compliance			
Existing Controls and Mitigations					
<p>Asset Management</p> <ul style="list-style-type: none"> Actively monitor and submit on regulatory or industry change that impacts on our activities Infrastructure Strategy is in place to identify significant infrastructure challenges over the next 30 years, and to identify the principal options for managing those challenges and the implications of those options Asset Management Plan policy in place to set standards Asset Strategy Team is in place to drive organisational consistency of asset management overseen by the GM Development Activity Management Plan (AMP) renewals, maintenance plans and operational strategies are funded in the 2021-31 10-Year Plan Budget and critical assets are given a higher priority for renewal Modelling and master planning of strategic assets and facilities undertaken to forecast and respond to the impact of changing demand and growth and community expectations 3 yearly Independent asset management maturity assessments are undertaken 3 yearly Activity Management Plans are internally and externally reviewed to ensure robust planning processes and systems Availability of technical expertise to manage, monitor, operate and maintain critical assets and identify situations when early intervention is required to maintain asset condition and level of service <p>Procurement</p> <ul style="list-style-type: none"> Implement robust procurement process to correctly identify/scope and procure appropriate asset Maintenance and service agreements in place with the supplier, where appropriate Speciality contracts are in place to maintain the condition of critical assets and minimise the risk of failure occurring Stakeholder engagement prior to procurement/replacement of asset to ensure appropriate replacement <p>Project Planning</p> <ul style="list-style-type: none"> Project planning processes in place to ensure that staff have appropriate project management skills and experience and there is external engagement of experienced project managers Robust project management and procurement processes are in place and followed Business Continuity and Crisis Management Plans in place for some critical asset failure such as the Low River Contingency plan for continued supply of water to the water treatment plant. Annual review of building and Facilities capital programme with Facilities Unit to ensure forward planning of projects Redundancy is built into some of our critical assets (e.g. two cremators with short term cover available in a fail event, standby wastewater pumps with automatic changeover on failure) Zoo Masterplan Anomaly detection and vulnerability scanning capability <p>Other</p> <ul style="list-style-type: none"> Quarterly Threat and Risk assessments Training and development plans in place for staff to identify competency and skill requirements Processes in place for the supervision, design and testing during build or vesting of assets Zoo: Annual MPI audit provides government oversight in maintaining animal enclosure assets. 					

Residual Likelihood	Unlikely	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Major	Residual Risk Rating	Rating High
Action Owners					Risk Treatment
Paul Gower (Assets Strategy Manager), Maire Porter (City Waters Manager), Jason Harrison (Transportation Manager), Tania Hermann (Infrastructure Group Business Manager), Simon Young (Delivery Manager), Maria Barrie (Parks and Recreation Manager), Michelle Rivers (Cemeteries and Crematorium Manager), Emily Botje (Facilities Manager), Baird Fleming (Zoo Director); Chad Hooker (H3 Group)					Mitigate
Improvement Plan	Previous updates			Update – June 2021	
<ul style="list-style-type: none"> Identification of critical asset groups and documentation of management strategies for assets 	<ul style="list-style-type: none"> Water, Wastewater, Stormwater, Solid Waste and Transportation Activity Management Plans, which includes management strategies for assets, are currently under review. Initial review due to be completed by end of July 2020. (September 20) - Asset Management Plans are in the final stages of review as part of the 2021-31 LTP process. (December 20): Asset Management Plans are in the final stages of review as part of the 2021-31 LTP process. Zoo & Facilities teams investigating electrical infrastructure grid. (March 21) - Feedback on Asset Management Plans received and will be reviewed and incorporated 			<ul style="list-style-type: none"> Asset management maturity assessments have been completed which have supported the development of asset management improvement plans, located within the final versions of the Asset Management Plans. Asset Management Plans will be finalised and operational from 1 July 2021. As part of the Government funded Stimulus Programme of works, we are also currently undertaking further refinement of our water and wastewater treatment plant and network criticality frameworks as well as a three waters resilience study which will further inform future work programmes. This action is now closed. 	
<ul style="list-style-type: none"> Identify key speciality services and skillsets for the operation and 	<ul style="list-style-type: none"> (September 20) – New IP (December 20) - This is at an initial stage and will be further developed 			<ul style="list-style-type: none"> Since March, work to identify key maintenance and 	

<p>maintenance of critical assets that need to be employed or engaged under contract, including developing competency and training programmes.</p>	<p>within essential service resilience plans including competency and training requirements. To be completed in early 2021</p> <ul style="list-style-type: none">• (March 21) - Work is ongoing	<p>operational contracts and service providers has been undertaken at the Water and Wastewater Treatment plant and the development of new contracting arrangements initiated.</p> <ul style="list-style-type: none">• This action is now closed.
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APPENDIX A – RISK RATING AND REPORTING

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

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	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

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

Action Required Table

The table details the required actions for each risk

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

APPENDIX B – RISK REVIEW AND REPORTING TABLE

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

RISK LEVEL	STRATEGIC/ ORGANISATIONAL RISKS	REVIEW PERIOD (Minimum)	REPORTING PERIOD (Minimum)
Extreme	Council	Quarterly	Strategic Risk & Assurance Quarterly
	Senior Leadership Team	Monthly	Monthly
Very High	Council	Quarterly	Strategic Risk & Assurance Quarterly
	Senior Leadership Team	Monthly	Monthly
High	Senior Leadership Team	Quarterly	Monthly
Medium	Wider Leadership Group*	Six-monthly	Bi-Monthly / as required
Low	Wider Leadership Group*	Six-monthly	Bi-Monthly / as required

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

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

Council Report

Item 9

Committee: Strategic Risk and Assurance Committee

Date: 17 June 2021

Author: Morva Kaye

Authoriser: Tracey Musty

Position: Internal Auditor

Position: Financial Controller

Report Name: 2020/21 Internal Audit Update

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

- To inform the Strategic Risk and Assurance Committee on internal audit progress to 31 May 2021.




Staff Recommendation - *Tuutohu-aa-kaimahi*

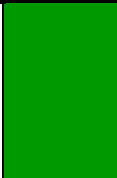

- That the Strategic Risk and Assurance Committee:
 - receives the report; and
 - notes progress against the Hamilton City Council Internal Audit Plan.

Executive Summary - *Whakaraapopototanga matua*

- The Council's internal audit function incorporates engagements delivered by PricewaterhouseCoopers (PwC) and internal Council staff. This report provides an update on progress by Council staff.
- Progress against the work programme is as follows:

KEY

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

Audit	Status
Contract management This review covers checking a sample of contracts to ensure that the contracts have been set up and managed correctly. A scope of works will be agreed with management during the third quarter of the 2020-21 year.	
Sensitive Policy This work has been completed. Summary report attached.	

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

Discussion - *Matapaki*

Sensitive Expenditure internal audit assessment

6. Sensitive expenditure is any spending by Council that could be seen to be giving a private benefit to a staff member, their family, or friends.
7. The internal audit assessment revealed just under \$1m in expenditure on credit cards, expense claims, and travel and accommodation (including mileage claims) that is deemed 'sensitive', over a total of 5,000+ transactions, for the 14 months ended February 2021.

Key messages include:

- i. Council's policy on Sensitive Expenditure needs to be updated (and better structured);
 - ii. there is an internal control weakness concerning the timely authorisation of Purchasing card (P-Card) transactions in Authority;
 - iii. Council's Finance team should be consulted where payments to employees are made outside the Recruitment and Selection Policy and/or the payroll system; and
 - iv. there is a health and safety risk to Council in relation to the use of private vehicles for work purposes that needs to be addressed.
8. Overall, Council is generally compliant with the Sensitive Expenditure Policy.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

11. 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').
12. 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.
13. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Sensitive Expenditure Internal Audit Assessment May 2021

Hamilton City Council

Internal Audit Assessment

Sensitive Expenditure

May 2021

Sponsor

David Bryant
General Manager Corporate

Background

The Office of the Auditor General (OAG) has classed sensitive expenditure as '*...any spending by an organisation that could be seen to be giving private benefit to staff members, their family, or friends*', For Council staff this includes:

- Use of credit and purchasing cards
- Expenses while travelling
- Entertainment and hospitality
- Use private vehicles for work
- Gifts
- Relocation costs for new employees

It is important that sensitive expenditure decisions in these areas are for a '*justified business purpose*' that can withstand public scrutiny. The Council needs to '*be able to show that sensitive expenditure decisions are based on appropriate standards of probity and that those decisions are financially prudent and appropriate in all respects*'¹.

Objectives and Scope

The objectives for this audit were:

1. To ensure that Council policies and procedures are being followed.
2. To compare Council's Sensitive Expenditure Policy (due for review May 2021) with the OAG guiding principles²
3. To assess the design effectiveness of processes and internal controls over sensitive expenditure
4. To review sensitive expenditure transactions in the (scope) period 1 January 2020 – 28 February 2021 including Purchasing Cards (P-Cards), expense claims and travel and accommodation (including mileage claims).

¹ Office of the Auditor General 'Inquiry into the University of Auckland's decision to purchase a house in Parnell'.

² Office of the Auditor-General 'Controlling sensitive expenditure: Guide for public organisations' (updated October 2020).

Audit approach

The audit approach included:

1. Analysing Council's Sensitive Expenditure Policy and OAG guidelines
2. Conducting interviews with key decision makers
3. Undertaking walk-throughs of sensitive expenditure transactions (see Audit metrics below) and source documentation.
4. Reading other related Council policies and procedures, legal precedents and IRD operational statements.

Audit metrics

In the 14 months from 1 January 2020 to 28 February 2021, Council spent \$931,391 (excluding GST) identified as sensitive expenditure:

	No of transactions	\$ excl. GST	Type of expenditure – highest spend	\$ spend
P-Cards & FlexiPurchase Cards	4,326	\$607,948	Equipment purchases Training & development Advertising & marketing Materials Service providers Software licenses	\$77k \$74k \$67k \$66k \$63k \$54k
Travel and accommodation booked by travel agency	300	\$161,201	Air travel and accommodation	\$161k
Expense claims reimbursed	236	\$136,232	Relocation costs (new employees) PEP supplies Covid-19	\$82k \$18k
Mileage claims reimbursed	432	26,010	Mileage – employees using their private vehicle for work purposes	\$26k
Totals	5,125	\$931,391		

Key messages

The key messages arising from the audit are:

1. The need to update Council's Sensitive Expenditure Policy to reflect OAG principles and to improve readability for staff.
2. A major internal control weakness identified was P-Card transactions not approved by the appropriate manager in a timely manner.
3. The failure to consult Finance where payments are made to employees outside policy and/or the payroll system, that could be deemed income for tax purposes.
4. A health and safety risk to Council when employees use their private vehicle for work purposes without written permission.

Risk assessment

Notwithstanding the key messages, Council is generally compliant with the Sensitive Expenditure Policy – subject to the findings and recommendations.

The overall risk rating is: **Moderate** with a low **Likelihood** (of occurrence) but reflecting the high **Impact** should payments be made and not be subject to proper process.

Findings	Recommendations	Management response
1. Review and improve readability of Sensitive Expenditure Policy		
<p>The current Sensitive Expenditure Policy is due to be reviewed in May 2021.</p> <p>The policy is long, not well structured, or easy to follow.</p>	<p><i>Definition of sensitive expenditure</i></p> <ul style="list-style-type: none"> Should appear at the front of the Policy, not the glossary. 	<p><i>Action owner:</i> Tracey Musty</p> <p><i>Comment:</i> Agreed. Will ensure the policy is reviewed and updated by August 2021.</p>
	<p><i>Guiding Principles</i></p> <ul style="list-style-type: none"> The rationale for each principle when making sensitive expenditure decisions should be included. The policy should state that a manager's discretion to override the policy should be made only in exceptional circumstances – and with prior approval from the Chief Executive. 	
	<p><i>Obligation to consult Finance</i></p> <ul style="list-style-type: none"> Finance should be consulted where a manager is considering a payment to an employee that is outside the payroll system, as to whether such payments are subject to income tax. 	
	<p><i>Use of private vehicles to include</i></p> <ul style="list-style-type: none"> Council's responsibility, under the Health and Safety at Work Act 2015, for an employee using their own vehicle for work purposes <i>is the same as if</i> Council owns the vehicle. The wording for insurance cover needs to align with the wording in the Fleet Management Policy. Council does not pay for travel between home and work (unless travel is due to work commitments requiring work beyond a reasonable hour, for safety concerns, or similar justification). Mileage is to be reimbursed based on the shortest distance between the employee's work site and the business location being attended. 	

Findings	Recommendations	Management response
	<p><i>P-Cards and FlexiPurchase Cards</i></p> <ul style="list-style-type: none"> The types of expenditure that are and are not allowed to be charged to a credit card: <ul style="list-style-type: none"> Purchase of alcohol and gifts (refer CEO's email 25 May 2021) <p><i>Gifts</i></p> <ul style="list-style-type: none"> Farewell and other gifts may only be purchased through a collection from staff. 	
2. P-Card transactions not approved in a timely manner		
<p><i>Authorisation</i></p> <p>It was not possible to see in Authority who had coded or approved a P-Card transaction.</p> <p>A new P-Card Transaction report identified 247 P-Card transactions totalling \$27,268 that had not been coded or approved in Authority for the period 26 November 2019 – 31 March 2021. The general ledger had a balance of \$39,864 as at 31 March 2021.</p> <p><i>Training</i></p> <p>Managers may have the delegation to approve P-Card transactions but may not have had training on how to do it.</p> <p>GST coding errors identified on P-Card transactions are now visible to Finance in the new P-Card report.</p>	<p>All P-Card authorisers must have training on how to authorise P-Card transactions in Authority.</p> <p>The new report needs to reconcile to the general ledger suspense account every month and any transactions that have not been approved followed-up.</p> <p>Finance to provide training on GST for all managers and EAs who code P-Card transactions and Expense Claims (or anyone who enters account codes into Authority) – to ensure compliance with IRD.</p>	<p><i>Action owner:</i> Tracey Musty</p> <p><i>Comment:</i> A new report has been created and is now in use.</p> <p><i>Action owner:</i> Tracey Musty</p> <p><i>Comment:</i> The Finance Unit is currently working on a training programme for all staff and this will be included.</p>

Findings	Recommendations	Management response
3. Finance should be consulted re payments to employees that are outside a policy and/or Council's payroll system		
<p>One expense claim decision reimbursing a relocation cost was made in exceptional circumstances during Covid-19.</p> <p>While the intent of the payment is clear, it provided a private benefit to an employee as per the Sensitive Expenditure Policy and should have had oversight by Finance.</p> <p>Consequently, the expense claim was not an 'eligible relocation expense'³ and was not treated as income for tax purposes. This has now been corrected in the payroll system.</p> <p>It is not currently possible to identify expense claim reimbursement expenditure in the general ledger.</p>	<p>People, Safety and Wellness must consult Finance on all payments to employees that are outside the Recruitment and Selection Policy and/or paid outside the payroll system.</p> <p>Such payments should have prior approval from the Chief Executive.</p> <p>Finance should have overview of Expense Claims to ensure they comply with the Sensitive Expenditure Policy and other related policies.</p> <p>The Expense Claim form needs to be updated.</p>	<p><i>Action owner:</i> Clark Collins</p> <p><i>Comment:</i> Agreed.</p> <p><i>Action owner:</i> Matthew Bell</p> <p><i>Comment:</i> Financial Support Services (Finance) are investigating the option of an online process for expense claim forms and workflow. This would enable extracts of the expense claim data to be available.</p>

³ IRD Determination DET 09/04: Eligible relocation expenses

Findings	Recommendations	Management response
4. Health and safety risk for Council		
<p>Managers are not always giving written permission for employees to use their private vehicle for work purposes.</p> <p>There is a health and safety risk to Council if the employee's vehicle does not have a current warrant of fitness, is not registered or road worthy.</p>	<p>Managers must give written permission for an employee to use their private vehicle for work purposes.</p> <p>A new form is required to capture the following information:</p> <ul style="list-style-type: none"> • Proof of warrant of fitness, registration, and regular servicing • Manager approval (permission updated annually) <p>Completed forms should be sent to the Insurance team for safekeeping in the event of a motor vehicle claim.</p> <p>Mileage claim form to be updated:</p> <ul style="list-style-type: none"> • Have reference to the Sensitive Expenditure Policy • State a justifiable business purpose for the mileage • How to calculate mileage. 	<p><i>Action owner:</i> Tracey Musty</p> <p><i>Comment:</i> Agreed. Will establish a process to ensure this is communicated to the business.</p>

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 17 June 2021
Author: Morva Kaye
Authoriser: Tracey Musty
Position: Internal Auditor
Position: Financial Controller
Report Name: 2020/21 PwC Internal Audit Update

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

- To inform the Strategic Risk and Assurance Committee on Internal Audit progress to 31 May 2021.




Staff Recommendation - *Tuutohu-aa-kaimahi*

- That the Strategic Risk and Assurance Committee:
 - receives the report; and
 - notes progress against the Internal Audit Plan.

Executive Summary - *Whakaraapopototanga matua*



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

KEY

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

PwC Internal Audit Plan – progress summary

- The following progress has been made on the internal audit engagements included in the 2019/20 and 2020/21 Internal Audit Plans:

Engagements in Progress – 2019/20	Status
IBIS Project Assessment We have completed this engagement and the final report is attached.	
Engagements in Progress – 2020/21	Status
Cyber Security PwC have agreed a scope of work with management. Fieldwork will commence in June 2020.	

Treaty of Waitangi

We are currently scoping this work with management.

Item 10

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

Discussion - *Matapaki*

IBIS financial modelling (Breeze)

6. The implementation of the Breeze software has made significant improvements in the time taken to produce and update a set of financial statements (from days to hours) and reduced reliance on complex spreadsheets. A key improvement area going forward is the time taken to refresh scenarios, so that Breeze can be used 'real time' during Council meetings to show the impact of proposed changes.
7. Our review focused on the controls in place to ensure the completeness, accuracy and validity of Breeze outputs. It must be noted that Breeze has only just been implemented and is still in its development journey.
8. Currently management rely upon manual processes conducted by the Council Finance team to mitigate the risks present in the operation of Breeze. The Council Finance team have robust checking procedures to support confidence in the Breeze outputs.
9. We have made 10 observations (3 high risk, 4 moderate and 3 low risk) with 19 recommendations. These focus on implementing preventative controls and integrity checks directly into the Breeze system.
10. As this development occurs and the controls are built into Breeze, the amount of manual checking and the utilisation of the previous spreadsheet models can be phased out.

Other engagements

11. HCC are implementing a new payroll system this year and internal audit will provide an Independent Quality Assurance over this project.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

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

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

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Hamilton City Council IBIS Breeze SRAC report June 2021

Hamilton City Council

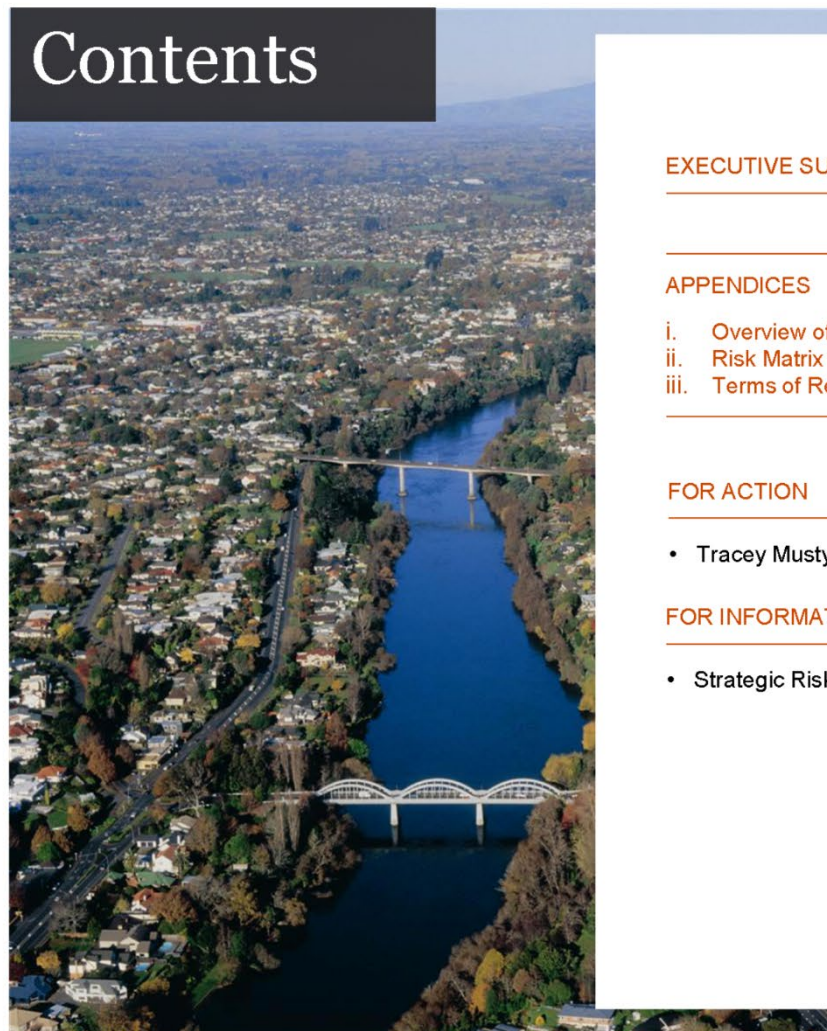
IBIS Breeze Internal Audit

Internal audit report – SRAC version Final
2 June 2021



Item 10

Attachment 1



Contents

EXECUTIVE SUMMARY & OBSERVATIONS SNAPSHOT 04

APPENDICES 10

- i. Overview of IBIS Breeze Operation
 - ii. Risk Matrix
 - iii. Terms of Reference
-

FOR ACTION

- Tracey Musty (Financial controller)

FOR INFORMATION

- Strategic Risk and Assurance Committee

Inherent limitations: This 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.

Confidential: This report 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 report 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 report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure contained within the report.



David Bryant
General Manager Corporate
Hamilton City Council
Private Bag 3010
Hamilton 3240

2 June 2021

Dear David,

In accordance with our Contract dated 1 July 2017 and the Terms of Reference dated 13 May 2020, we are delighted to report on our findings arising from the assessment of IBIS Breeze financial modelling tool for Hamilton City Council ('Council').

We would like to extend our appreciation for the assistance provided by Council staff towards the completion of this internal audit.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Matthew White', is positioned above the printed name.

Matthew White
PwC New Zealand | Partner

PricewaterhouseCoopers LLP
Cnr Anglesea and Ward Streets,
PO Box 191, Hamilton, 3240
New Zealand
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W: www.pwc.co.nz

Executive Summary



1.0 Executive Summary

Introduction

Hamilton City Council (Council) has implemented IBIS Breeze (Breeze), a financial forecasting system. This system is driven by multiple source datasets, including manually entered assumptions, and is used to produce financial forecasts for Long Term Plans and other Council documents. The system provides considerable flexibility and produces concise reports from a deep level of detail.

It is driven from information provided by business unit managers in a 'bottom up' approach. The system integrates with capital expenditure and operational expenditure budgeting systems, as well as accepting manually entered general assumptions. The Breeze system is critical to producing the Council's Long Term Plan, as well as other documents such as Annual Plans.

The Council has previously relied upon manually operated Excel-based spreadsheets to produce the financial statements and reports required leaving significant room for error. The implementation of the IBIS Breeze system is aimed at reducing the risk of the outputs being produced containing errors, providing real time scenario planning and reducing the time taken to prepare the Long Term Plan.

Objective and Scope

The objective of this engagement on the IBIS project is to assess whether:

1. the Breeze planning module has the appropriate controls in place to ensure the completeness, accuracy and validity of outputs. We will check that the:
 - calculations in the software appear in all material respects logical, internally consistent and arithmetically correct;
 - the software appears to allow changes in source data, sensitivities and assumptions to correctly flow through to the results;
 - assumptions within the software are consistently applied;
 - input integration controls;
 - internal checks and balances (controls) are operating effectively;
 - the software has version control (to allow for multiple scenarios) and how it operates.
2. the integration module has appropriate controls in place covering:
 - input validations
 - approval workflow.
3. there are any opportunities for efficiencies and/or improvement.

Scope limitations

We are not:

- providing any comment on the commercial rationale or long term assumptions
- validating the inputs for completeness, accuracy or reasonableness
- ensuring that the software meets any relevant legislative requirements
- providing any comment on the validity or reasonableness of the assumptions, and express no opinion as to how closely the results actually achieved will compare with the projections in the software
- reviewing the projections produced by the software, or any comment in any form on the outputs produced by the software, other than to confirm that the outputs generated by the Model appear to be consistent with the input assumptions for the input assumptions considered.

Phase Two: Integration module

Our assessment of the integration module has not been conducted as the integration module has not yet been fully implemented.

No comment has been made on the controls in place covering the integration module.

Background

Previously, producing the forecast financial statements required to support various Council documents utilised a set of complex spreadsheet models which were not easy to operate and exposed the Council to undesirable levels of risk.

A project was undertaken to replace the spreadsheets with a solution which would make it easier to amend, update or change the underlying assumptions in a rapid and agile manner. The chosen solution was to implement the IBIS Breeze system and replace the complex spreadsheets previously used.

To date, the Finance team at Council have been operating the IBIS Breeze system in tandem with the complex spreadsheets until such time as the functionality of Breeze is at a point where the Council is confident the outputs being produced are complete, accurate and valid. There is also an aspect of timeliness involved, whereby the Breeze system can take some time to refresh and calculate, as opposed to the spreadsheet model which is complex but very much 'live'.

An overview of the operation of the IBIS Breeze system is included in Appendix I.

1.0 Executive Summary

Key findings

The implementation of the Breeze software has made significant improvements in the time taken to produce and update a set of financial statements (from days to hours) and reduced reliance on complex spreadsheets. A key improvement area going forward is the time taken to refresh scenario's, so that Breeze can be used 'real time' during Council meetings to show the impact of proposed changes.

Our assessment focussed on the controls in place to ensure the completeness, accuracy and validity of Breeze outputs. It must be noted that Breeze has only just been implemented and is still in its development journey.

Currently, management rely upon manual processes conducted by the Council Finance team to mitigate the risks present in the operation of Breeze. The Council Finance team have robust checking procedures to support confidence in the Breeze outputs.

As this development occurs and the controls are built into Breeze, the amount of manual checking and the utilisation of the previous spreadsheet models can be phased out. Our recommendations support this transition by strengthening the controls within Breeze.

Recommendations

A summary of our recommendations:

- Improving the speed of processing refreshes for 'what-if' scenario analysis.
- Council Finance team gain visibility of the calculations within Breeze.
- Breeze be developed further to include:
 - summary of the assumptions used provided with outputs
 - clear indication of what stage the batch set is at (e.g. inputs loaded / assumptions set / refresh run)
 - input integrity checks of key assumptions
 - financial statement cross-validation
 - data input reconciliation and validation.

Recommendations continued

- User access controls are implemented immediately, particularly around creating, locking, editing and deleting batch sets.
- Processes around creating, locking, and deleting batch sets are documented.
- The internal chart structure is periodically reviewed for consistency of assumption application.
- Users have the ability to import key data sets.

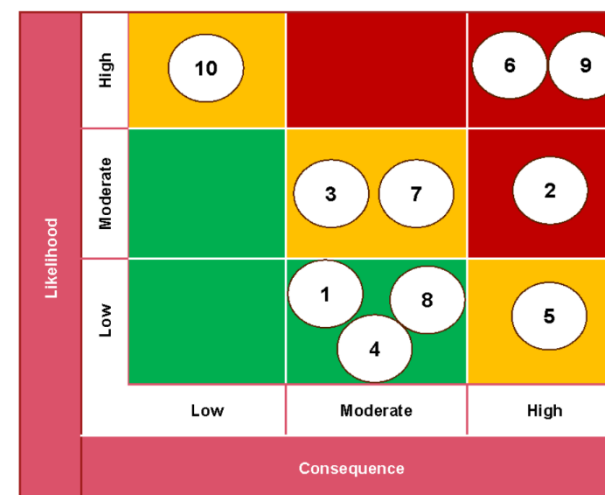
1.1 Observation Snapshot

Summary of findings

We set out below a mapping of our findings against the risk assessment methodology, which is attached in Appendix II.

	Observation	Risk Rating/ Mgt Comment
1	There is a lack of visibility of the calculations that are being used.	Low
Recommendations	Council Finance team gain visibility of formulas and calculations being performed in Breeze to provide greater confidence in consistency and accuracy of formula application.	Agreed
2	Assumptions used: <ul style="list-style-type: none"> are not displayed to users changes in assumptions default to be applied across all batch sets are not applied until the refresh process is run (there is no visibility of status). 	High
Recommendations	<ol style="list-style-type: none"> 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. Outputs of Breeze be developed to include summary details of the assumptions used. Breeze be further developed to either force a refresh on change of assumptions; or display an alert or status bar. 	Agreed
3	There are limited input validation controls for assumptions, manual checks of inputs and reliance on third parties to upload input data.	Moderate
Recommendations	<ol style="list-style-type: none"> 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%. 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. A warning to the user is shown if a general assumption does not have an entry or is still set at the default rate. When the business budgets are uploaded through the Integration module, input totals should be reconciled automatically against the import file. Develop input total reconciliation for the Psoda import within Breeze. 	Agreed

Findings mapped to Risk assessment framework



1.1 Observation Snapshot

Summary of findings

We set out below a mapping of our findings against the risk assessment methodology, which is attached in Appendix II.

	Observation	Risk Rating/ Mgt Comment
4	Internal error checking and validation checks are not in place.	Low
Recommendations	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. There is a need to build in more comprehensive error checks and the error messages need to be user-friendly.	Agreed
5	Output review procedures are manual and extensive.	Moderate
Recommendations	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.	Agreed
6	User access controls are not in place and there are no policy or procedures to manage access to the batch sets.	High
Recommendations	1. User access controls are implemented immediately to restrict ability of users in creating, editing and deleting batch sets. 2. Processes around creating, locking and deleting batch sets be formalised and documented.	Agreed
7	Refresh interruption warning/status not permanently displayed.	Moderate
Recommendations	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.	Agreed

1.1 Observation Snapshot

Summary of findings

We set out below a mapping of our findings against the risk assessment methodology, which is attached in Appendix II.

	Observation	Risk Rating/ Mgt Comment
8	Assumptions can be incorrectly mapped.	Low
Recommendations	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. User access to change the chart structure be restricted to those Finance Team members that need the access.	Agreed
9	Speed of calculation and output production for what-if scenario modelling.	High
Recommendations	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.	Agreed
10	Reliance on third party to import data and manual data input.	Moderate
Recommendations	Move the Psoda import process to being completed by the Council Finance team.	Agreed

Appendices



Appendix I – Overview of IBIS Breeze Operation

IBIS Breeze Operation

IBIS Breeze is operated by the Council Finance team. The user interface is clear and allows for straightforward operation. To create a new budget, the user has the option of creating a new, blank batch set or copying an existing batch set. A batch set is effectively a scenario or version of the budget. There are five data inputs to the scenario, comprised of the following:

1. General assumptions

The general assumptions are entered directly into IBIS Breeze by the user and include assumptions such as depreciation rates, interest rates, and inflation rates.

2. Operational expenditure assumptions

The assumptions on operational expenditure are provided via a separate system called Interactive, where the individual business area managers enter their own budgets in a 'bottom-up' approach. The IBIS Breeze user then integrates these budgets manually. In the future, this will be automated.

3. Capital expenditure assumptions

The assumptions on capital expenditure are provided via a separate system called Psoda where the individual business area managers enter their own capital budgets in a 'bottom-up' approach. The IBIS Breeze support team located in Australia is required to manage the integration and refresh process to load the Psoda data into IBIS Breeze. This process is triggered by the IBIS Breeze user requesting a data load from the support team.

4. Development contribution assumptions

The assumptions relating to development contributions are prepared by a separate team and provided to the Finance team by way of an Excel spreadsheet template. The outputs of this are then used as the inputs for Breeze and are manually entered by the Finance team.

5. Rates assumptions

As with the development contributions, the rates assumptions are prepared by a separate team and provided to the Finance team by way of an Excel spreadsheet template. The outputs of this are then used as the inputs for Breeze and are manually entered by the Finance team.

The input data is collated within IBIS Breeze and then the user triggers the system to recalculate the financial accounts using the fresh data. This produces an updated set of projections including recalculated depreciation, interest, and inflation based on the latest set of assumptions and source data.

The output from IBIS Breeze is a detailed set of financial statements including Income Statement, Balance Sheet, and Cashflow Statement, showing forecasted figures over the desired time period. The primary view is heavily summarised, with the ability to expand account groups out to a granular level for detailed analysis. An example of the summarised outputs is shown below.

Financial GL Accounts	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Profit and Loss													
Revenue	\$0	\$46...	\$0	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...
Operating Revenue	\$0	\$43...	\$0	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...	\$43...
Non-Operating Re...	\$0	\$13...	\$0	\$13...	\$13...	\$13...	\$13...	\$13...	\$13...	\$13...	\$13...	\$13...	\$13...
Expense	\$0	\$296...	\$0	\$370...	\$322...	\$335...	\$344...	\$364...	\$369...	\$379...	\$396...	\$396...	\$371...
Operating Expend...	\$0	\$296...	\$0	\$370...	\$322...	\$335...	\$344...	\$364...	\$369...	\$379...	\$396...	\$396...	\$371...
FIS Allocation of O...	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance Sheet													
Assets	\$0	\$5,06...	\$4,98...	\$5,30...	\$5,62...	\$6,00...	\$6,38...	\$6,56...	\$6,85...	\$7,25...	\$7,51...	\$7,76...	\$8,24...
Current Assets	\$0	\$306...	\$308...	\$375...	\$385...	\$385...	\$385...	\$385...	\$385...	\$385...	\$385...	\$385...	\$385...
Non-Current Assets	\$0	\$4,95...	\$4,97...	\$5,21...	\$5,53...	\$5,92...	\$6,30...	\$6,48...	\$6,77...	\$7,10...	\$7,43...	\$7,67...	\$8,19...
Liabilities	\$0	\$85...	\$76...	\$88...	\$10...	\$11...	\$11...	\$11...	\$11...	\$11...	\$11...	\$11...	\$11...
Current Liabilities	\$0	\$73...	\$73...	\$136...	\$132...	\$121...	\$122...	\$122...	\$121...	\$121...	\$121...	\$121...	\$121...
Non-Current Liab...	\$0	\$12...	\$3...	\$52...	\$52...	\$52...	\$52...	\$52...	\$52...	\$52...	\$52...	\$52...	\$52...
Equity	\$0	\$41...	\$42...	\$43...	\$44...	\$47...	\$50...	\$52...	\$55...	\$58...	\$61...	\$64...	\$68...
Equity Level 3	\$0	\$41...	\$42...	\$43...	\$44...	\$47...	\$50...	\$52...	\$55...	\$58...	\$61...	\$64...	\$68...

Appendix II – Risk assessment framework

Risk Prioritisation Matrix

Consequence

Level	Description
High	A significant weakness which could compromise Management's internal control.
Moderate	An issue which can undermine Management's internal control and should be addressed but with a lower priority than High.
Low	A weakness which does not seriously detract from the system of internal control but which should nevertheless be considered by Management.

Likelihood

Level	Description
High	Risk is likely or almost certain to happen (66-100%)
Moderate	Risk is possible to happen (36- 65%)
Low	Risk is unlikely or rarely will happen (0 -35%)

Risk Matrix

Likelihood				
		Low	Moderate	High
	High	Moderate	High	High
	Moderate	Low	Moderate	High
	Low	Low	Low	Moderate
		Low	Moderate	High
		Consequence		

Priority Rating

Level	Risk	Consequences of Risk Ratings
H	High	Requires immediate attention
M	Moderate	Requires attention/action underway within 3 months
L	Low	Requires attention/action underway within 6 months

Appendix III – Terms of Reference (extract)

In accordance with our contract 16265 dated 1 July 2017, including all terms, we set out below the terms of reference for our assessment of the IBIS project at Hamilton City Council (Council).

Background

The implementation of the Breeze financial planning and management software from Ibis information systems in May, along with automating the operational expenditure budget uploads through an integration module will allow Council to streamline the 10 year planning process for the 2021-2031 10 year planning. Breeze will also have the capability to allow for real-time scenario planning that will assist elected members and management to see the impact of their decisions.

The breeze components are scheduled to go-live in May 2020 and the integration module is scheduled to go-live in August 2020.

Sponsor

The Hamilton City Council (Council) Executive Sponsor for this engagement will be David Bryant, General Manager Corporate.

Objective and scope

The objective of this engagement on the IBIS project is to assess whether:

1. the Breeze planning module has the appropriate controls in place to ensure the completeness, accuracy and validity of outputs. We will check that the:
 - calculations in the software appear in all material respects logical, internally consistent and arithmetically correct
 - the software appears to allow changes in source data, sensitivities and assumptions to correctly flow through to the results
 - assumptions within the software are consistently applied
 - input integration controls
 - internal checks and balances (controls) are operating effectively
 - the software has version control (to allow for multiple scenarios) and how it operates.
2. the integration module has appropriate controls in place covering:
 - input validations
 - approval workflow.
3. there are any opportunities for efficiencies and/or improvement.

Scope limitations

We are not:

- providing any comment on the commercial rationale or long term assumptions
- validating the inputs for completeness, accuracy or reasonableness
- ensuring that the software meets any relevant legislative requirements
- providing any comment on the validity or reasonableness of the assumptions, and express no opinion as to how closely the results actually achieved will compare with the projections in the software
- reviewing the projections produced by the software, or any comment in any form on the outputs produced by the software, other than to confirm that the outputs generated by the Model appear to be consistent with the input assumptions for the input assumptions considered.

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

Our work is split into two phases as follows:

Phase One: Breeze financial modelling and management tool (May)

Our approach to assessing Breeze will be to evaluate the design effectiveness through inquiry, inspection and walkthrough, and some limited operational effectiveness procedures of the:

- calculations within the software
- how changes in source data, sensitivities and assumptions flow through to the results
- consistency of application of the assumptions within the software (if there are numerous assumptions, then only the key assumptions will be assessed)
- input validation controls
- controls built into the system to check for errors
- software output review procedures
- scenario version control processes
- the depreciation and interest calculation consistency with previous models.

Appendix III – Terms of Reference (extract) cont.

Phase Two: Integration Module (August)

Our approach to assessing the Integration Module will be to evaluate the design effectiveness through inquiry, inspection and walkthrough and some limited operational effectiveness procedures of the:

- input processes
- approval workflows.

Deliverable

At the conclusion of the fieldwork, we will workshop the findings with management and prepare a written report of our findings identified during the assessment (both strengths and weaknesses) along with recommendations for improvement where weaknesses are identified.

The report will be issued in draft to the engagement sponsor for comment, followed by a final report once all comments have been received, agreed, and incorporated within the report.

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Council Report

Committee: Strategic Risk and Assurance Committee
Date: 17 June 2021
Author: Morva Kaye
Authoriser: Tracey Musty
Position: Internal Auditor
Position: Financial Controller
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 31 May 2021.

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, Waka Kotahi (NZ Transport Agency) and others and internal audits by PricewaterhouseCoopers (PwC) and Council staff.
4. Ten high risk observations are currently being followed-up with the action owner, the remaining 5 high risk observation will be followed-up in the next few months.
5. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion – Matapaki

Audit New Zealand

6. There is no change to report on the eight recommendations outstanding in Audit New Zealand's final management report for the year ended 30 June 2020, as reported at the 4 December 2020 meeting [[Agenda](#)].

PwC Tax Compliance Review

7. There is no change to report on the four recommendations outstanding.

Waka Kotahi NZ Transport Agency

8. Waka Kotahi carried out an Investment (Procedural) audit in the week ending 4 June 2021.
9. The final report from Waka Kotahi is pending and, once received, will be reported on to the Strategic Risk and Assurance Committee.

PwC Internal Audit Assessments

10. There are 15 high risk observations arising from internal audit assessments completed by PwC.

Internal audit assessment	No. of high-risk observations	Recommendations due to be implemented by	Status of follow-up with action owner
Wairere Cobham Drive Interchange Project	9	31/3/21	Being finalised
Asset Management & Operating Expenditure	2	30/6/20	
Strategic Performance Measures Assessment	2	30/6/20	
Data Governance	1	30/6/21	
Psoda Assessment	1	1/6/21	In progress

Financial Considerations - *Whaiwhakaaro Puutea*

11. This is a regular operating activity funded through the 2020/21 Annual Plan.

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

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

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. No known risks have been identified relevant to the decisions of this report.

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*

There are no attachments for this report.

Council Report

Committee: Strategic Risk and Assurance Committee
Date: 17 June 2021
Author: Michelle Hawthorne
Authoriser: David Bryant
Position: Legal Services Manager
Position: General Manager People and Organisational Performance
Report Name: Fraud and Protected Disclosures 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 provide the Strategic Risk and Assurance Committee a high-level outline of the relevant policies, their review dates and controls.
3. To update the Strategic Risk and Assurance Committee on related Conflict of Interest training, controls and work underway by the office of the Auditor General.

Staff Recommendation - *Tuutohu-aa-kaimahi*

4. That the Strategic Risk and Assurance Committee:
 - a) receives the report; and
 - b) notes the review dates of the Policies as recorded in this 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. The report notes the review dates of the Protected Disclosures Management Policy, Fraud and Corruption Management Policy and Conflict of Interest Management Policy, all of which are within the terms of reference of the Strategic Risk and Assurance Committee to review.
7. The Strategic Risk and Assurance Committee has requested an update on related Conflict of Interest training, controls and work underway by the office of the Auditor General, which is also contained in this report.
8. Staff consider the matters in this report have a low level of significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

Protected Disclosures

9. Council has in place a Protected Disclosures Management Policy. The Policy was last reviewed September 2019 and is due for its next review by September 2022.
10. 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. Our designated officer is Mary Hill, Partner, Cooney Lees Morgan.
11. At each meeting of the Strategic Risk and Assurance Committee, the Committee is advised of any protected disclosures that have been made since the Committee last met.
12. The Strategic Risk and Assurance Committee is also advised of any reports on investigations into past disclosures that have been completed since the Committee last met.

Fraud and Corruption

13. Council has in place a Fraud and Corruption Management Policy. The Policy was last reviewed September 2019 and is due for its next review by September 2022.
14. The purpose of the Fraud and Corruption 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.
15. In accordance with the 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.
16. If an allegation of fraud or corruption is established, the policy requires the incident to be reported to the Chair of the Strategic Risk and Assurance Committee and for an appropriate response plan to be developed.

Discussion - *Matapaki*

Protected Disclosures

17. There are no protected disclosures to report to the Strategic Risk and Assurance Committee.
18. The review of the Protected Disclosures Management Policy will be included in the work programme for the Committee in 2022.

Fraud and Corruption

19. No incidents of fraud or corruption have been established since the Strategic Risk and Assurance Committee last met in March 2021.
20. The review of the Fraud and Corruption Management Policy will be included in the work programme for the Committee in 2022.
21. Fraud can be identified either through reporting by an individual or through our internal audit process. Areas of highest risk are cash handling, procurement and payroll. Controls (such as segregation of duties) are in place alongside the internal audit process to mitigate these risks.

Conflict of Interest

22. A topic which is aligned to the issue of fraud, is the management of conflicts of interest. The Strategic Risk and Assurance Committee has requested an update on organisational controls and work by the OAG in this area.

23. Council has in place a Conflict of Interest Management Policy. The Policy was last reviewed May 2019 and is due for its next review by May 2022. The review of the Conflict of Interest Management Policy will be included in the work programme for the Committee in 2022.
24. The purpose of the policy is to ensure employees are aware of the types of situations where conflicts of interest can occur and how to declare actual and potential conflicts of interest that arise between their employment and their activities outside of work.
25. The Office of the Auditor General (OAG) is undertaking an audit called 'Managing conflicts of interest involving local authority employees. This will result in an article to be published online directed at all local authorities. In the article the OAG will set out the insights gained from the audit process, highlighting both areas for potential improvement and good practice. The four entities involved in the audit (of which Hamilton City Council is one) will not be named in the article. The OAG will provide Council the opportunity to see a draft version of the article before it is published. HCC will also receive an individual letter to be considered alongside the article and provides more detailed feedback for each Council. The letter and draft article is due be sent out to HCC in early June 2021.
26. Staff, External Committee Members and Elected Members are asked to update a declaration identifying their interests on an annual basis, as well as when new interests arise for individuals. Elected Members are provided training at the commencement of the triennium on pecuniary interests (Local Authorities (Member's' Interests) Act 1968) and perceived conflicts of interest.
27. Key staff have also been asked to complete online Conflict of Interest and Bribery and Corruption training to help staff identify what constitutes a conflict of interest/corruption and what actions to take as a Council employee. The courses have been developed by SAI Global (Risk Management Specialists) and based on international best practice. As part of this training staff needed to refresh their understand of the following policies:
 - i. Conflict of Interest Policy (Management)
 - ii. Code of Conduct Policy (Management)
 - iii. Fraud and Corruption Policy
 - iv. Gifts and Hospitality Policy
 - v. Local Authority Elections Protocols for Council Officers 2016
 - vi. Protected Disclosure Policy
 - vii. Procurement Policy and Procedures Manual

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Risks – *Tuuraru*

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

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

34. 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

35. 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: 17 June 2021
Author: Lynnro van der Nest
Authoriser: David Bryant
Position: Financial Accounting Team Lead
Position: General Manager People and Organisational Performance
Report Name: 2021 Annual Report Accounting Treatment Review

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

1. To inform the Strategic Risk and Assurance Committee on the 2021 Annual Report Accounting Treatment Review.

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Executive Summary - *Whakaraapopototanga matua*

3. Council's Finance Unit has created a plan to work with other business areas within the organisation to deliver the Annual Report. Key issues from the Accounting Treatment Review that staff would like to bring to the Committee's attention are provided below.
4. The **landfill provision** based on the latest available discount rates (31 January 2021) is \$16.6 million. This represents a decrease of \$2.4 million from last year and will potentially give rise to additional income to Council during the 30 June 2021 financial year.
5. The **Weathertightness provision** currently sits at \$1.2 million and is intended to cover our potential exposure in a total of 10 claims. Any change will be quantified and actioned with information received as at 30 June 2021.
6. **Contingencies** totalled \$420,000 for the 2020 financial year in relation to financial guarantees, legal proceeding and weathertight homes. A further \$1.9 million of uncalled capital from New Zealand Local Government Funding Agency Ltd (NZLGFA) was identified. Any changes will be quantified and actioned as at 30 June 2021.
7. There are currently two **judicial reviews** underway concerning development contributions. Judgement in the first case is expected in the next few months while the second case is still in its initial stages and an outcome is not expected until the end of the year.
8. No **impairments** have been identified during the financial year but staff will review this again as at 30 June 2021.
9. **Revaluation** of roading, heritage, investment properties, land and building assets are currently underway with no significant issues foreseen.

10. There is currently no significant changes in the following **accounting estimates and judgements**:
 - i. Estimates of the fair value of interest rates swaps;
 - ii. Estimates of the fair value of land, building and infrastructure assets;
 - iii. Estimating the fair value of investment property;
 - iv. Estimating the retirement gratuities obligations;
 - v. Estimating the landfill aftercare provision; and
 - vi. Estimating the provision for uncollectable receivables.
11. There have been no significant changes in **accounting policies**.
12. Key accounting standards and their implications for the preparation of the 2021 Annual Report have been identified.
13. Staff consider the matters in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

14. Council's Finance Unit has created a plan to work with other business areas within the organisation to deliver the Annual Report. Key issues from the Accounting Treatment Review that staff would like to bring to the Committee's attention are provided below.

Landfill provision

15. The total landfill provision that was recognised as at 30 June 2020, was \$18.95 million.
16. As agreed with Audit New Zealand, staff have used Treasury's Risk-free discount rates when calculating the landfill provision. For the 2020 provision these rates varied between 1.01% and 2.09%.
17. The landfill provision based on the latest available discount rates (31 January 2021) is \$16.6 million. This represents a decrease of \$2.4 million from last year and will potentially give rise to additional income to Council during the 30 June 2021 financial year. Rates currently vary from 0.21% to 2.51%.
18. The Treasury discount rates are next updated in June 2021. Staff will use the rates available at this date to complete the final provision calculation.

Weathertightness provision

19. Provision has been created for the potential liability of 4 claims (2020: 6 claims) that are outstanding with the Weathertight Homes Resolution Service, and 6 (2020: 7 claims) lodged via the court system. They represent a mix of residential and commercial properties.
20. The value of the provision is currently \$1.2 million. We are currently working with staff and advisors to assess, and if appropriate, update the provision by 30 June 2021. A verbal update on quantum will be given at the meeting.

Contingent liabilities

21. There was a total of \$420,000 of contingencies identified last year in relation to financial guarantees, legal proceedings and weathertight homes. There was also \$1.9 million of uncalled capital from New Zealand Local Government Funding Agency Ltd (NZLGFA). Staff have not been made aware of any additional contingent liabilities.
22. As part of the year end process, legal confirmation letters are sent out to all lawyers that Council has received legal advice from. These letters will provide staff with the details of any further contingent liabilities as at 30 June 2021 that may need to be provided for.

Judicial reviews

23. There are currently two reviews underway concerning development contributions.
24. An outcome to the earlier of the two cases is expected in the next few months. Once decided staff will report back on the impact of that decision.
25. The more recent case is in the early stages of being considered by the courts and an outcome is not expected before the end of the year.

Impairments

26. No impairments have been identified during the financial year but staff will review this again as at 30 June 2021.

Asset revaluations

27. Staff are in the process of revaluing roading, heritage assets, investment properties, and land and buildings as at 30 June 2021.
28. Staff do not foresee any significant issues related to the valuations.

Significant accounting estimates and judgements

29. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:
 - i. **Estimating the fair value of interest rate swap:** Council's interest rates swaps are independently valued by ETOS. The valuations are compared to the bank confirmations to ensure the valuations are reasonable.
 - ii. **Estimating the fair value of land, buildings and infrastructure assets:** Staff have completed fair value assessment of all assets that are subject to revaluations. This assessment shows that the fair value of the assets is not significantly different to the current carrying value, so does not trigger a need to complete a revaluation.
 - iii. **Estimating the fair value of investment property:** Council's investment properties are valued by independent valuers Telfer Young.
 - iv. **Estimating the retirement gratuities obligations:** Staff perform a calculation to estimate the value of gratuities that will need to be paid, if certain staff reach retirement. This retirement gratuity currently applies to 49 employees.
 - v. **Estimating the landfill aftercare provision:** Staff use discount rates provided on the Treasury website in line with audit recommendations.
 - vi. **Estimating the provision for uncollectable receivables:** Staff will estimate doubtful debts on parking debtors and sundry debtors at 30 June 2021.

COVID-19

30. Staff have made considerations in relation to COVID-19. Budgets for the 2021 financial year were adjusted to reflect the anticipated effect from COVID-19. Indications are that the impact from COVID-19 compared to the budgets that were set, has been favourable and revenue and expenditure for the 2021 year represent prior ("normal") financial years.
31. Staff have also ensured the COVID-19 impacts have been considered in the fair value of assets valuations. Staff do not believe COVID-19 will result in any significant changes for the 2021 Annual Report, other than it may require some additional disclosure.

Changes in accounting policies

32. There have been no changes in Council's accounting policies during the financial year.

Changes in accounting standards

33. The key changes in accounting standards that are effective for the 30 June 2021 financial year and applicable to Council are:

Standard	Title	Implications for Council
PBE IPSAS 34	Separate Financial Statements	No significant changes to Council. Requirements are substantially unchanged.
PBE IPSAS 35	Consolidated Financial statements	Changes the definition of control and applies it to all investees to determine the scope of consolidation. No changes for Council in the investment in subsidiaries or associates. Council continues to have significant influence but does not control Waikato Regional Airport Limited.
PBE IPSAS 36	Investments in Associates and Joint Ventures	No significant changes to Council. Staff will continue to equity account Council's investment in associate.
PBE IPSAS 38	Disclosures of Interests in Other Entities	Combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. Additional disclosure around the significant judgements and assumptions were made in the 2020 Annual Report and will be updated in the 2021 Annual Report.
PBE IPSAS 39	Employee Benefits	No significant changes to Council. Additional disclosure requirements for defined benefit plans and multi-employer plans were incorporated in the 2020 Annual Report; it will continue to be reflected in the 2021 Annual Report.
PBE IPSAS 41	Financial Instruments	The change in this standard is compulsory from YE 2023. However Council has adopted this change as part of the LTP presentation of accounts, so will come into effect YE 2022.
PBE IPSAS 21 PBE IPSAS 26	Impairment of Revalued Assets (Amendments to PBE IPSAS 21 and 26)	No significant changes to Council. Revalued assets are subject to the same impairment assessment requirements, as assets that are measured using the cost model.
PBE IPSAS 5	Borrowing Costs	No significant changes to Council.
PBE IPSAS 16	Investment Property	No significant changes to Council. Amendments clarifying transfer in to and out of investment properties.
PBE IAS 12	Income Taxes	No significant changes to Council.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- 36. 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').
- 37. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
- 38. The recommendations set out in this report are consistent with that purpose.
- 39. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

- 42. 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

Item 14

Committee: Strategic Risk and Assurance Committee

Date: 17 June 2021

Author: Lynnro van der Nest

Authoriser: Tracey Musty

Position: Financial Accounting Team Lead

Position: Financial Controller

Report Name: Audit NZ 2020-21 Audit Plan and Proposed Fees

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

1. To inform the Strategic Risk and Assurance Committee on the Audit plan, timetable and proposed cost associated with the audit of the 2021 Annual Report.
2. To seek a recommendation from the Strategic Risk and Assurance Committee to the Council to delegate the Mayor to sign the Proposed Audit Fees the letters.

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

3. That the Strategic Risk and Assurance Committee receives the report.
4. That the Strategic Risk and Assurance Committee recommends that the Council:
 - a) approves the Proposed Audit NZ Engagement letter and Fee Proposal letter; and
 - b) delegates authority to the Mayor to sign the Proposed Audit Fees letter on the Council's behalf.

Executive Summary - *Whakaraapopototanga matua*

5. The Audit Plan for 2021 was received on 12 May 2021 and outlines key focus areas, the responsibilities of Council and Audit New Zealand with regards to the financial statements and performance information along with the timeframe for completing the audit.
6. The valuation of assets and accounting for major capital projects will be reviewed at this time along with aspects of the rates setting process and impact of the three waters reform.
7. The draft Interim Audit Report is expected shortly with the final Interim Audit Report due on 2 July 2021.
8. The final audit will commence on 9 August 2021 with verbal clearance from Audit New Zealand due on 13 September 2021; the Audit Opinion and draft Final Audit Report is expected on the 30 September 2021.
9. The Proposed Audit Fees Letter was received on 7 May 2021 and outlines projected fees for 2021 and 2022.
10. A gradual fee increase is proposed to better reflect actual cost and address ongoing under recovery of audit fees.

11. A total fee of \$260,461 (1,405 hours) for 2021 and \$276,060 (1,405 hours) is proposed.
12. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

13. Audit New Zealand's plan for the audit (**Attachment 1**) of the Annual Report for the year ending 30 June 2021 (the audit) was received on 12 May 2021. It outlines:
 - i. focus areas for the audit;
 - ii. the responsibilities of Council and Audit New Zealand with regards to the financial statements and performance information;
 - iii. Senior staff assigned to the audit; and
 - iv. proposed timeframe for completion the audit.
14. Focus areas include:
 - i. revaluation of assets (Investment property, Land, Building, Roading and Heritage assets);
 - ii. fair value assessments for asset not subject to revaluation during the year;
 - iii. accounting for major capital projects;
 - iv. the rates setting process and compliance with aspects of the Local Government (Rating) Act 2002; and
 - v. the impact of three waters reform.
15. Audit New Zealand staff assigned to the audit are well known to Council and staff are working closely with team members to ensure our commitments and responsibilities are met.
16. The interim audit was completed during April and May 2021 with the draft report expected by Council on 16 June 2021 (final version expected 2 July 2021).
17. Council has agreed to have the draft Annual Report for 2021 available for audit on the 9 August 2021 at which point final audit work will commence. Other key dates include:
 - i. Annual Report, including adjustments agreed to by 10 September 2021;
 - ii. verbal audit clearance given 13 September 2021;
 - iii. Audit opinion and final draft report issued on 30 September 2021; and
 - iv. final report (including Management responses) issued to Council 15 October 2021.
18. The Audit Proposal Letter (**Attachment 2**) covers the financial years ending 30 June 2020, 2021 and 2022. It states that fees associated with the 2021 and 2022 financial years would set closer to the time. The Proposed Audit Fees Letter (**Attachment 3**) outlines the projected fees for 2021 and 2022.
19. Sighting ongoing significant under recovery of audit fees across much of the local government sector, a gradual fee increase is proposed to better reflect real costs. On this point, it was noted that an efficient audit for Council for the 2019-20 year was in the range of \$285,000 to \$295,000 however fee constraints saw this settled at \$233,450.
20. No changes to the audit team mix and hours are proposed – a total of 1,405 hours is budgeted for 2021 and 2022 (although 2020 exceeded these budgeted hours by 260 hours).

21. The proposed fee for 30 June 2021 and 30 June 2022 is outlined below:

Fee Component	2020 budget \$	2020 actual \$	Proposed 2021 \$	Proposed 2022 \$
Audit fee	233,450	312,771	254,461	276,061
Disbursements	5,000	5,207	6,000	6,000
Cost absorbed by Audit NZ		(82,130)		
Total Billable Audit Fees & Charges (excl GST)	238,848	235,848	260,461	282,060

22. The increase in proposed fees for 2021 (\$21,011) and 2022 (\$21,599) represents initial steps in aligning audit fees to proposed audit hours aimed at addressing the under recovery alerted to.

Financial Considerations - *Whaiwhakaaro Puutea*

23. The cost of this engagement is funded through the 2018 – 2028 10 Year plan.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

25. 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').
26. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
27. The recommendations set out in this report are consistent with that purpose.
28. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Audit Plan 2021

Attachment 2 - Audit NZ Audit Engagement Letter

Attachment 3 - Fee Proposal Letter

Audit Plan

Hamilton City Council

For the year ending 30 June 2021

Item 14

Attachment 1

Audit Plan

I am pleased to present our audit plan for the audit of Hamilton City Council for the year ending 30 June 2021. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	9
Our audit process	10
Reporting protocols	15
Audit logistics	16
Expectations	19

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

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

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

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

Yours sincerely



Clarence Susan
Appointed Auditor
12 May 2021

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 land, buildings, heritage and roading assets during the 2020/21 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 process or calculation could result in a material misstatement.</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 asset classes being revalued.</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>The City Council periodically revalues certain asset classes, including land, buildings and infrastructure. 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. A revaluation is not scheduled for the following asset classes during the 2020/21 financial year:</p> <ul style="list-style-type: none"> • Parks and Gardens; • Refuse; and • Three Waters. <p>Fair value assessments will need to be completed for these classes of assets to confirm that there is no material difference between their carrying amount and their fair value.</p> <p>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>For these assets that will not be revalued this year, we expect the City Council to perform a comprehensive analysis to determine whether there is a significant variance between the fair value, as at 30 June 2021, and the carrying value that would trigger the need for the City Council to revalue or impair its assets. The City Council should agree on a significant variance threshold, above which Council would complete a revaluation. 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 will review the City Council's significant variance threshold and 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
Major capital projects	
<p>The City Council continues to have a significant ongoing capital programme. A number of capital projects are either underway or about to commence of which the major ones are:</p> <ul style="list-style-type: none"> • Wairere Drive Extension and Bridge over Waikato River to Peacocke; • Ruakura Eastern Transport Corridor (Spine Road); and • Waioara Water Treatment Plant Upgrade. <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 	<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
<ul style="list-style-type: none"> capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	
The risk of management override	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we will evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</p>
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 2020/21 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
<p>Impact of three waters reform</p> <p>The three waters reform programme is one of the most significant policy programmes affecting local authorities. This is a three-year programme of work in three tranches.</p> <p>During 2020/21, the City Council signed a non-binding Memorandum of Understanding (MOU) with the Crown. By signing this MOU, the City Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.</p> <p>On signing of the MOU, the City subsequently received a share of \$761 million Crown stimulus funding, which was the first tranche of funding that was provided under the reform programme. It is important that the City Council is appropriately accounting for this funding and is meeting the obligations of the funding agreement.</p> <p>Much of the policy is still to be developed, with significant announcements about the form of future water services entities expected in year one of the 2021-31 long-term plan (LTP) period (2021/22). The City Council will then need to decide whether to opt out of the proposed new service delivery model. There is still considerable information to come as to what these reforms may mean for the City Council before this decision will be made.</p> <p>We would expect the City Council has taken steps to:</p> <ul style="list-style-type: none"> consider the implications of any government announcements about three waters reform up to the date of authorisation of the financial statements. This includes the impact on financial statements and disclosures, including subsequent events disclosures; and ensure any crown stimulus funding resulting from the three waters reform programme received by the City Council has been appropriately accounted for in accordance with PBE accounting standards and the terms of the agreement. 	
<p>We will continue to monitor developments related to the three waters reform. If any substantive announcements are made before the financial statements are authorised for issue, we will discuss the implications of these on the City Council and on our audit report with management and the Council.</p> <p>We will gain an understanding of the water stimulus funding agreements signed by the City Council. If water stimulus funding is material to the financial statements, we will review this to ensure that revenue recognition is in line with PBE accounting standards.</p>	

Audit risk/issue	Our audit response
Revaluation of investment property	
<p>The fair value of the City Council investment properties needs to be assessed annually in accordance with the requirements of PBE IPSAS 16, <i>Investment Property</i>, as the City Council has adopted the fair value model for these assets.</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 group comprises:

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

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 is the only significant component of the group.

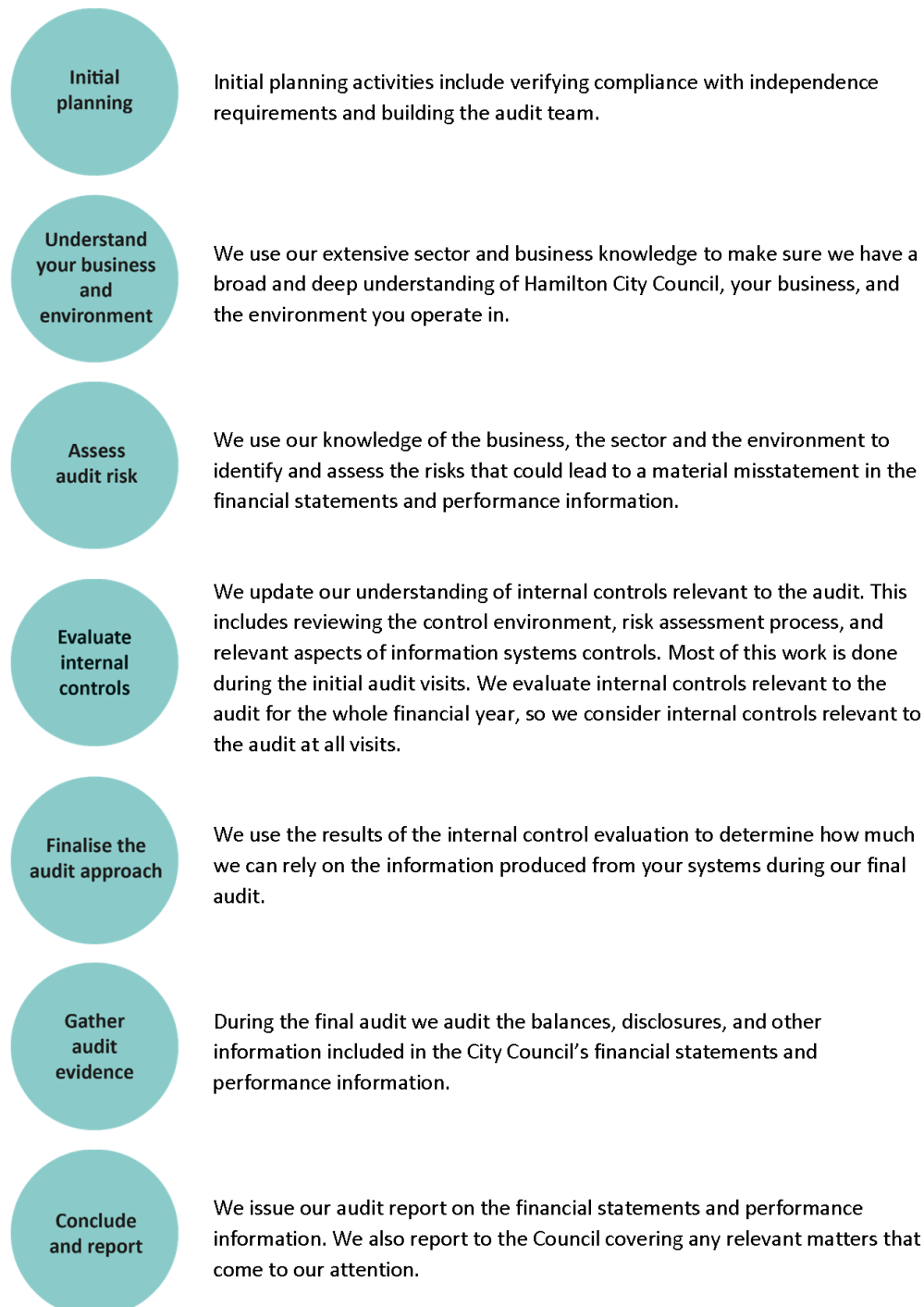
For the Hamilton City Council parent, we will complete a full financial statement and performance information audit. For those components determined not to be significant, we will perform analytical procedures at a group level.

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

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

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

Our audit process



Enhancing year-end processes

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

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during interim audits. This requires us to have the right information available during this visit to enable us to complete this work.

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

Materiality

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

- influence readers' overall understanding of the financial statements and 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 \$366,910,000 and the parent entity at \$363,240,000 based on budgeted total assets. We will only be applying this overall materiality to the carrying value of property, plant and equipment held at fair value (i.e. land and buildings), fair value gains/losses relating to revaluations of land and buildings recorded in other comprehensive income, and revaluation reserve balances. This is subject to change once the actual results for the current year are available.

We have set a lower, **specific materiality** of \$7,940,000 and \$7,860,000 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 \$397,000 for group and \$393,000 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.

The materiality figures above:

- do not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence; and

	\$'000
Overall materiality -group	\$366,910
Overall materiality - parent	\$363,240
Specific materiality – group	\$7,940
Specific materiality – parent	\$7,860
Clearly trivial threshold - group	\$397
Clearly trivial threshold - parent	\$393

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.

- 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.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
We will stay within the debt and rating limits, as described in the Financial Strategy.	None applied as the result will be either Achieved or Not Achieved
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 quality complies with the drinking water standards for (a) bacteria (b) protozoa	None applied as the result will be either Achieved or Not Achieved
The average use of drinking water per Hamilton resident, per day	8% of actual reported result
The median resolution time of urgent water call-outs, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved.	8% of actual reported result
The number of overflows in dry weather.	5% of actual reported result
The number of abatement notices, infringement notices, enforcement orders and convictions issued for spillage from the wastewater system.	5% of actual reported result
The median resolution time of wastewater call-outs, from the time that we received notification to the time that our service personnel confirm the fault or interruption has been resolved.	8% of actual reported result
The percentage of extra time taken for vehicles to travel key routes in the city during peak travel times compared to non-peak.	8% of actual reported result

Material measure	Materiality
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expresses as a number.	5% of actual reported result
The average smooth travel exposure rating across the sealed road network.	8% of actual reported result
The percentage of footpaths that fall within the service standard for the condition of footpaths as set out in the Transport Activity Management Plan.	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
Robyn Dearlove	Manager Information Systems Audit and Assurance
Wendy Freeman	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



Our proposed timetable is:

Interim audit begins	12 April 2021
Second interim audit begins	24 May 2021
Draft Report to the Council on the interim audit issued	16 June 2021
Report to the Council on the interim audit (including management responses)	2 July 2021
Draft Annual Report available for audit (including notes to the financial statements) with actual year-end figures	9 August 2021
Final audit fieldwork begins (Audit team on-site until 27 August, Audit team leader on site until 10 September)	9 August 2021
Annual Report, incorporating all the amendments agreed to between us, including any Chair and Chief Executive's overview or reports	10 September 2021
Verbal audit clearance given	13 September 2021
Audit opinion issued	30 September 2021
Draft Final Report to Council issued	30 September 2021
Final Report to Council (including management responses)	15 October 2021

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

AuditDashboard

During the audit, your staff provide us with a significant number of files. These files contain information that we have asked for about your internal controls or financial and non-financial information to support the contents of your annual report. When all of this information is available in a timely manner, it helps the audit process to run as smoothly and effectively as possible for both you and us.

During 2021 we are implementing a new online portal called AuditDashboard. AuditDashboard allows for easier collaboration and file sharing between Hamilton City Council and your audit team. It is a robust, secure digital platform that is specifically designed to streamline the process of sharing information with us. More information on this new tool can be found at: [Information about AuditDashboard](#).

The benefits of AuditDashboard

Your team will be invited to collaborate on one central request list in a shared space. The ability to drag and drop files makes it easy to fulfill requests. Real-time status updates provide greater visibility to everyone and helps to keep everyone organised and on the same page. It will be easy to:

- see what has been asked for;
- assign specific tasks to your own people and see who each request is assigned to;
- see when each request is due and track the progress of requests;
- exchange information securely; and
- see what has been uploaded.

Rather than obtaining information from management as we need it, we will send requests in advance. Your team will have time to gather the relevant information, upload the files, and submit them to us at any time that suits them up to the due date. When we start work, we will already have access to this information and can get started straight away.

We intend to start using AuditDashboard at our second interim audit stage. We have provided the Chief Executive with an overview and agreement to use AuditDashboard. We expect compliance with this agreement will already be covered by your computer-use policy. We need to receive the agreement back prior to implementing AuditDashboard on your audit.

We will work with your team to onboard them to AuditDashboard, answer any questions you might have, and ensure your team understands how to use it.

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 and provide information in a timely manner;
- 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;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

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





15 January 2020

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

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

Dear Paula

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Hamilton City Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the Hamilton City Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2020, 2021, and 2022.

This letter outlines:

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

The objectives of the annual audit are:

- to provide an independent opinion on the Hamilton City Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

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

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

Your responsibilities

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

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the Hamilton City Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

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

- the resources, activities, and entities under its control have been operating effectively and efficiently;

- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

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

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

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

Our responsibilities

Carrying out the audit

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

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

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

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with forecasts included in the Long term plan for the financial year; and

- o its actual revenue and expenses as compared with the forecasts included in the Long term plan or annual plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

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

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

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

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the Hamilton City Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the Hamilton City Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the Hamilton City Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

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

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

Reporting

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

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

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

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

Next steps

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

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

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

Yours sincerely



Clarence Susan
Appointed Auditor
On behalf of the Auditor-General

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

Signature _____

Date: _____

Paula Southgate
Mayor

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

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with forecasts included in the Long term plan for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the Long term plan or annual plan for the financial year; • complies with generally accepted accounting practice in New Zealand. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of Hamilton City Council; enable you to monitor the resources, activities, and entities under your control; enable the Hamilton City Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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

Responsibilities of the Council	Responsibility of the Appointed Auditor
	In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that Hamilton City Council has systems, policies, and procedures (appropriate to the size of Hamilton City Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Hamilton City Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of Hamilton City Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p>
<p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>
	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions.</p>
<p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

7 May 2021

Paula Southgate
Mayor
Hamilton City Council
Private Bag 3010
Waikato Mail

Tēnā koe Paula

Proposed audit fees for the 30 June 2021 and 30 June 2022 financial years

Our audit proposal letter dated 6 May 2020 for the three financial years ending 30 June 2022 only included audit fees for the 30 June 2020 financial year, and said we would agree the fees for the 30 June 2021 and 30 June 2022 audits at a future date.

The purpose of this letter is to provide information on:

- the hours we plan to spend on the audits and the reasons for any change in hours; and
- our proposed audit fee for each financial year, and the reasons for the proposed change in fee.

Please read this letter in conjunction with our audit proposal letter dated 6 May 2020.

1 Background to the fee increases

In our audit proposal letter dated 6 May 2020, we set out the statutory basis for our audit and how fees are set.

We also referred to a letter that the Auditor-General had sent to Councils in April 2020 setting out his thoughts on the matter of Council audit fees. He reflected that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. He advised that audit fees will, in the future, need to be increased to reflect the real costs.

The Auditor-General has now agreed to allow us to discuss with you an approach to increasing audit fees to better reflect those real costs.

We estimated that the cost of an efficient audit for Hamilton City Council for 2019/20 was in the range of \$285,000 to \$290,000. As a result of the fee constraint, we agreed a fee of \$233,450. We now propose to phase in the necessary fee increase over time, as set out in section 3.

2 Team mix and hours for the year ending 30 June 2021 and 30 June 2022

We estimate that the same number of hours will be required to carry out the 2020/21 and 2021/22 audits as what we have budgeted for in 2019/20, as follows:

Audit team member	2020 budget	2020 actual	2021 proposed	2022 proposed
Appointed Auditor	120	130	120	120
EQR Director	20	27	20	20
Audit Manager	170	227	170	170
Other CA qualified staff	557	484	557	557
Non CA qualified staff	440	721	440	440
Other specialists				
Sector specialist support	13	13	13	13
Information Systems	65	63	65	65
Specialist Assurance Services	16	0	16	16
Tax	4	0	4	4
Total audit hours	1405	1665	1405	1405

3 Proposed audit fee for the year ending 30 June 2021 and 30 June 2022

Our proposed fee for your audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2020 budget	2020 actual	2021 proposed	2022 proposed
	\$	\$	\$	\$
Net audit fee (excluding OAG ASQS fee and disbursements)	216,167	295,488	235,622	255,622
OAG Audit Standards and Quality Support (ASQS) fee	17,283	17,283	18,839	20,438

Structure of audit fees	2020 budget	2020 actual	2021 proposed	2022 proposed
	\$	\$	\$	\$
Total audit fee (excluding disbursements)	233,450	312,771	254,461	276,060
Estimated disbursements	5,000	5,207	6,000	6,000
Cost absorbed by Audit New Zealand		(82,130)		
Total billable audit fees and charges (excluding GST)	238,450	235,848	260,461	282,060

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fee.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

Reasons for increase in audit fee

The main changes in cost components for future audits are:

Reasons for increased audit fee compared to previous period <i>budgeted fees:</i>	2021	2022
Alignment of audit fee to proposed audit hours (phased in over time as set out in section 1 of this letter)	21,011	21,599
Total increase (decrease) in audit fees	21,011	21,599

4 Assumptions relating to our audit fee

Our proposed audit fee is based on the assumptions included in our audit proposal letter dated 6 May 2020.

5 Conclusion

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

If you require any further information, please contact me.

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

Nāku noa, nā



Clarence Susan
Appointed Auditor
Audit New Zealand

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

Full name: _____ Position: _____

Authorised signature: _____ Date: _____

Entity name: _____

1 Make a copy of this signed proposal and keep it for your file.

2 Send the original to: Clarence Susan
Audit New Zealand
PO Box 256
Waikato Mail Centre
Hamilton 3240

Council Report

Item 15

Committee: Strategic Risk and Assurance Committee

Date: 17 June 2021

Author: Julie Clausen

Authoriser: Sean Hickey

Position: Unit Manager Strategy and Corporate Planning

Position: General Manager Strategy and Communications

Report Name: Audit NZ Report on the 2021-31 Long Term Plan Consultation Document

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

1. To inform the Strategic Risk and Assurance Committee on the audit of the 2021-31 Long-Term Plan Consultation Document.

Staff Recommendation - *Tuutohu-aa-kaimahi*

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

Executive Summary - *Whakaraapopototanga matua*

3. Audit NZ completed their audit of the 2021 31 Long-Term Plan Consultation Document and issued their opinion on 25 February 2021.
4. The consultation document received an unmodified opinion, with three emphasis of matters which draw the reader's attention to disclosures within our consultation document.
5. The three emphasis of matters related to:
 - i. Three Waters Reform;
 - ii. cost savings; and
 - iii. infrastructure asset condition information.
6. Following the completion of the audit, Audit NZ issued their report summarising the findings from their work (**Attachment 1**). This report includes three recommendations for items to be addressed in the Long Term Plan document, and two recommendations for items that Council should consider improving going forward.
7. The three recommendations relating to the Long Term Plan document have been actioned by staff, and the other two matters are in progress.
8. Staff consider the matters in this report have a low level of significance and that the recommendations comply with Council's legal requirements.

Financial Considerations - *Whaiwhakaaro Puutea*

9. This is a regular operating activity funded through the Long-Term Plan. There are no financial implications in relation to this decision.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

10. 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').
11. 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.
12. The recommendations set out in this report are consistent with that purpose.
13. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks - *Tuuraru*

14. There are no known risks associated with the decision sought via this report.

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

Significance15. The receiving of the audit report on the consultation document has a low level of significance as the Audit NZ opinion has already been provided.

Engagement

16. As this matter relates to the receiving of an audit report on consultation document for the Long Term Plan, no separate engagement is requirement.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Audit NZ Report on the 2021-31 Long-Term Plan Consultation Document

Report to the Council on the audit of

Hamilton City Council's
consultation document for its
2021-2031 Long-term Plan

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Key messages

This report sets out our findings from our audit of the City Council's consultation document (CD) for its proposed 2021-31 Long-Term Plan and, where appropriate, makes recommendations for improvement. In addition, this report also provides information on the next step in the audit process being the audit of the Long-Term Plan (LTP).

Overall, we have the view that the City Council has produced a CD that fulfils its primary purpose of providing an effective basis for public participation in decisions on the content of the LTP. The CD included all the major matters that we expected, provided preferred and alternative options to address these issues and encouraged the community to provide feedback.

Audit report

We completed our audit of the City Council's CD and issued an unmodified opinion on 25 February 2021. We included three emphasis of matter paragraphs in our audit report to draw the reader's attention to the uncertainties associated with three water reforms, and the City Council's cost savings and infrastructure asset condition information.

Matters identified during the audit

The City Council should consider addressing the following matters for the LTP:

- Areas where the infrastructure strategy could be enhanced (refer to section 2.3);
- The cost savings should be allocated appropriately throughout the financial forecasts (refer to section 2.4.3); and
- The financial forecasts and accounting policies need to be updated to reflect the adoption of IPSAS 41, *Financial Instruments* (refer to section 3.1).

Going forward we also recommend:

- improvements are made as a matter of priority to ensure that data is complete and includes asset condition for critical assets (refer to section 2.5); and
- the City Council implements adequate financial reporting processes to ensure that the costs savings are monitored appropriately and consistently throughout the period of the long-term plan (refer to section 2.4.3).

Future focus

As well as the opinion issued on the CD, we will also issue an opinion on the LTP that will be adopted before 1 July 2021.

Thank you

We would like to thank the Council, management and staff for their assistance during the audit.



Clarence Susan
Appointed Auditor
1 April 2021

1 Our audit report

1.1 Our opinion was unmodified



We issued an unmodified audit opinion on the CD on 25 February 2021.

This meant we were satisfied that the City Council's CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2021-31 LTP.

We found the underlying information and assumptions used to prepare the CD provided a reasonable and supportable basis for the preparation of the LTP.

We included emphasis of matter paragraphs in our audit report to draw the reader's attention to the uncertainties associated with three water reforms, and the City Council's cost savings and infrastructure asset condition information.

1.2 Uncorrected misstatements

The consultation document is free from material misstatements, including omissions.

During the audit, we discussed with management any misstatements that we found, other than those which were clearly trivial. Management corrected all misstatements identified.

1.3 Project management, reporting deadlines and audit progress



The development of the CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

The City Council had a detailed project plan which included key milestones, deadlines and the work stream responsible. This contributed to producing quality underlying information documents and enabling the City Council to meet all key deadlines.

The City Council continues to be receptive to audit recommendations and is focussed on continuous improvement. In addition, Council staff were available throughout the audit and provided requested information in a punctual timeframe. Overall, this equated to a smooth audit process with no significant issues.

2 Matters raised in the Audit Plan



In our audit engagement letter, we identified the following matters as the main audit risks and issues:

2.1 Impact of the economic downturn caused by Covid-19 on the City Council's forecasts

The Covid-19 assumption is reasonable. The City Council has made the assumption that the country will remain in Alert Level 1 until June 2022, and thereafter return to a 'new normal'.

The City Council has forecast a decrease in revenue relating to their venues, community facilities and consenting activities.

We recommended that the City Council disclose the level of uncertainty associated with this assumption and this disclosure was subsequently added to the CD.

2.2 Financial strategy

The financial strategy is reasonable, financially prudent, based on the financial forecasts and complies with relevant legislation. Operating surpluses are forecast for each of the 10 years.

The overall structure and key principles that drive the financial strategy have not significantly changed from the previous LTP. The City Council has the strategic goals of continuing to manage levels of service, manage rates and invest in the future of the city.

The financial strategy in the previous Long-Term Plan highlighted the unprecedented growth experienced by Hamilton, which has put increased pressure and demand on existing infrastructure and services.

This demand for services is forecast to continue for the next 10 years. Along with the increasing demand for services, Council is facing a number of challenges being driven by increasing policy and legislation requirements. This includes new direction on growth, water, wastewater and stormwater standards, transport and climate change. The City Council's asset base continues to increase with investment in infrastructure assets being the key driver. This in turn results in increased costs to maintain these assets throughout the 10-year period.

The financial strategy has been adapted to respond to these challenges.

As a result, the key change from the previous LTP is that the City Council has increased its debt to revenue limits over the 10 years to match that set by the Local Government Funding Agency (LGFA).

2.3 Infrastructure Strategy

The infrastructure strategy (IS) is reasonable, aligned with other underlying information and complies with relevant legislation.

The IS has not significantly changed from the previous LTP. The strategy is to continue with a business as usual approach for infrastructure activities. This means looking after existing assets by ensuring they continue to meet the needs of the community and providing infrastructure to enable further growth to occur.

We reviewed the IS and identified the following enhancements that could be made to the document:

- The section titled 'Significant Capital Expenditure Decisions (pages 45-51) that are likely to be required' currently includes a timeline on page 46 showing the likely timing and scale of capex projects that the City Council intends to carry out over the next 30 years, i.e. it shows the most likely scenario as required by section 101B of the LGA 2002. Options for each of the significant decisions are identified on pages 47-51 but no discussion is included about the implications or the associated costs of each option.

The City Council should include details of indicative costs and implications of all options, not just those forming the most likely scenario.

- Disclosures around unfunded capex need to be improved; in particular clarifying how unfunded projects are treated in the 2021 capex forecasts incorporated in the financial model. They are excluded from the financial model but this needs to be clearly stated up front.
- Include a section regarding do-ability of the proposed capex programme over the short to medium term. The IS should state what the challenges are to achieving the projected spend and what the City Council is doing to mitigate the risks associated with delivering the planned capital programme in a Covid-19 environment. In particular, the Covid-19 impacts are likely to relate both to revenue impacts on the City Council but also market and supply chain issues due to a higher than normal volume of work going to market across the country, combined with reported supply-chain disruption as goods are delayed coming in to the country.

The disclosure should also outline what steps the City Council has taken to mitigate the potential risks arising from the current environment.

- The City Council needs to clarify what the confidence levels are for asset data used for each activity and ensure that the IS clearly states what the shortcomings are in that data. (Also refer to section 2.5)

These recommendations are considered good practice and as such would help improve the usefulness of the document to readers. The City Council should consider these

recommendations when preparing the final version of the infrastructure strategy forming part of the LTP.

Management comment

Management agrees with the recommendations.

The final Infrastructure Strategy Document will be enhanced by including the further information and disclosures outlined in the recommendations.

2.4 Assumptions

The significant forecasting assumptions are appropriate, complete, adequately disclosed and comply with relevant legislation. In addition, the underlying information has been prepared using the material assumptions disclosed.

Our review was focused on the assumptions relating to population growth, climate change, Covid-19, inflation, interest rates, three-water water reform and capital expenditure do-ability. Further comments on specific assumptions are included below.

2.4.1 Climate change

The climate change assumption is reasonable. The City Council has a programme of funded work underway to understand how Hamilton may be impacted by the physical changes, the impacts of transitioning to a low carbon future and by the changes occurring in the wider region. The outcomes from this work programme will be considered in subsequent LTPs.

2.4.2 Growth

The growth assumption is reasonable. The City Council has assumed the NIDEA low growth projection.

We found that the timing of capital projects and funding in the forecast financial statements aligns with the timing of the forecasted growth.

The National Policy Statement on Urban Development 2020 classified the City Council as a Tier 1 local authority. The City Council meets the competitive margin requirements as it is able to provide sufficient development capacity to meet expected demand for housing and business land over the short, medium, and long term.

2.4.3 Cost savings

The City Council has budgeted for costs savings over the 10 years of the Long-Term Plan to the value of \$106 million. The savings are expected to be achieved through four main strategies:

- Property savings.

- Strategic Procurement.
- Capital programme optimisation.
- Digital-enabled business transformation.

If these savings are not realised, Council may need to rely on debt to achieve its planned expenditure. To remain within its debt-to-revenue limits, Council may also need to increase rates. Without modifying our opinion, we drew attention to the disclosures in the CD about the savings plan. This was because of the uncertainty associated with the City Council's cost savings assumption.

We noted that the costs savings were included in the financial forecasts as one line item. From our understanding of the costs savings strategy, the savings will be realised through a reduction in finance costs, depreciation and opex costs.

We recommend that the City Council splits these savings within the financial model to better reflect the budgeted savings and the impact on the financial forecasts. This will also assist in comparable reporting in future years.

We also recommend that the City Council implements adequate financial reporting processes to ensure that the costs savings are monitored appropriately and consistently throughout the period of the long-term plan.

Management comment

Management agrees with the recommendations.

Budgeted cost savings will be allocated to the appropriate lines in the financial model. This will enable management to track and report on cost savings.

2.5 Quality of asset-related forecasting information (including condition and performance information for critical assets)

The City Council's infrastructure network is made up of water supply, wastewater, stormwater, transportation, and solid waste assets, as well as community infrastructure.

We are satisfied that, through the asset management plans and other documentation, the City Council is able to describe its approach to asset renewals. But improvements need to be made to ensure that data is complete and covers the performance and condition of all critical assets. There are also specific areas where the confidence levels in data held are lower than what we consider to be acceptable for the purposes of developing the City Council's renewal programme.

Without modifying our opinion, we drew attention to the City Council's disclosures in the CD about the limitations associated with its asset information and the risks associated with this.

We recommend that the City Council improve the quality of data about asset performance and asset condition for critical assets.

Management comment

Management is currently considering the development of the next phase of asset management improvements and is including a focus on the framework for asset performance and condition data - particularly for critical assets.

Additional work on criticality frameworks and their use is being undertaken for three waters reticulation and plant assets as part of the Government funded water reform package throughout 2021.

3 Other matters



In this section, we have detailed our key findings from the audit. We have also detailed our findings in relation to other areas of focus:

3.1 IPSAS 41 financial instruments

PBE IPSAS 41, *Financial Instruments* becomes effective for the year ending 30 June 2023, or the second year of the LTP. The LTP is required to be prepared in accordance with the accounting policies expected to be used in the future which means that the LTP will need to reflect this new accounting standard.

The City Council has performed a high level assessment of the impact of PBE IPSAS 41 and concluded that no adjustment was required to the forecast financial statements included in the underlying information to support the CD (as they are not consulting on a matter that may be affected by the application of PBE IPSAS 41).

For the LTP the City Council will need to:

- Perform a more detailed and robust assessment on the impact of PBE IPSAS 41 on the financial forecasts;
- Ensure any material measurement adjustments that arise on transition to PBE IPSAS 41 that may affect the forecasts are made;
- Ensure the financial instrument accounting policies disclosed are updated to be consistent with the requirements of PBE IPSAS 41;
- Ensure disclosures are made about the change in accounting policy; and
- Consider whether the decision to early adopt PBE IPSAS 41 for the LTP will impact the preparation of their financial statements for the year ending 30 June 2022.

We understand that the City Council has engaged a service provider to perform this assessment on behalf of the City Council.

Management comment

Management agrees with this comment and is in the process of assessing the impact of the new standard on the LTP financial statements.

3.2 The content of the Consultation Document

The CD provides an effective basis for public participation in the City Council's decision making about the proposed content of its LTP, facilitates the right debate with the community and meets the legislative requirements of the Local Government Act 2002 (LGA 2002).

The CD is easy to read with a good amount of contextual information. It is clear which issues are being consulted on, and these issues have been structured under the City Council's five priorities. Each consultation issue talks to the issue, and what options are available.

The CD also highlights the critical parts of the proposed financial and infrastructure strategies.

3.3 Three-waters reform

The City Council has assumed that the regulatory reform and the establishment of Taumata Arowai will change the way the City Council will need to demonstrate regulatory compliance, assess risk relating to source and treated water quality and require licencing and authorisation of water supplier entities and individuals involved in providing three water services. We considered this assumption to be reasonable.

The operating and capital budgets have been developed to anticipate likely new regulatory requirements where possible, and where not possible, the City Council has taken a business as usual approach.

Without modifying our opinion, we drew attention to the City Council's disclosures in the CD about the uncertainty associated with three waters reform. This was because future decisions may result in significant changes, which would affect the information on which the CD has been based.

3.4 Capital expenditure do-ability

We are satisfied with the assumption about the do-ability of the capital work programme. Management is optimistic that it will deliver on the capital work programme planned for the 2021-2031 LTP. The City Council has already contracted (or has progressed significantly in contracting) for 57% of the budgeted capital works in 2021/22, 42% in 2022/23 and 18% in 2023/24.

The City Council has also implemented new and improved processes to deliver the capital budget, such as setting up a dedicated capital program delivery team and operating with a portfolio approach.

3.5 Financial model and forecasts

In assessing the financial forecast we focused on the integrity of the financial model, the reliability of the source data and whether the outputs of the model have appropriately flowed through to the underlying information (including the financial strategy, IS and financial forecasts. In doing this we adopted a substantive approach undertaking a variety of data logic, metric, integrity, analytical review, spreadsheet and data flow testing.

We found no issues to report and the financial model fit for purpose.

3.6 Performance management framework

The forecast performance framework is appropriate, complies with relevant legislation and complies with generally accepted accounting practice.

The performance framework remained relatively unchanged from prior years with no significant changes to levels of service. There were some performance measures that were revised, removed and added, however this was simply to better align the framework to the City Council's strategy.

4 Audit of the Long-term Plan

The next step in the audit process will be the audit of the LTP. To ensure our audit of the LTP is efficient we expect the Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the LTP forms part of the LTP, which the Council is required to adopt before 1 July 2021 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 24 June 2021, at which time the 2021-31 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the City Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the CD so for the audit of the LTP we will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the City Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the CD and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 25 September 2020 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your CD. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in the areas of debenture trust deed assurance engagement, which is compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Local Authority or its subsidiaries.</p>
Fees	<p>The audit fee, covering both the CD and the LTP for the period is \$134,200 (excluding GST and disbursements), as detailed in our audit engagement letter dated 25 September 2020.</p> <p>Other fees will be charged in the period for the annual report audit and debenture trust deed assurance engagement.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>

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Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Strategic Risk and Assurance Committee Public Excluded Minutes - 11 March 2021) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)
C2. Legal Risks - Committee Update		
C3. Cyber Risks / Issues Update - Verbal Report		
C4. Organisational Improvement Register - Public Excluded		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C4.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)