

Notice of Meeting:

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

Date: Tuesday 14 March 2017
Time: 9.30am
Meeting Room: Committee Room One
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Audit & Risk Committee OPEN AGENDA

Membership

Chairperson: Paul Connell - (External appointee)

Membership: Tony Steele - (External appointee)
Mayor Andrew King
Cr Garry Mallett
Cr Dave Macpherson
Cr Paula Southgate
Cr Rob Pascoe

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

Quorum: Four members (including one external appointee)

Lee-Ann Jordan
Governance Manager

8 March 2017

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Purpose:

The Audit and Risk Committee is responsible for:

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

The Committee is delegated the following Terms of Reference and powers:
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Terms of Reference:

External Audit

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

Internal Audit

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

Other Matters

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

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

The Committee is delegated the following recommendatory powers:

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

Special Notes:

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

Oversight of Policies:

- *Risk Management Policy*

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

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

4 Public Forum

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

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

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

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

Committee: Audit & Risk Committee**Date:** 14 March 2017**Report Name:** Organisation Improvement Report**Author:** Barnaby Pace

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Plan</i>
Financial status	<i>There is no budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. To inform the Audit and Risk Committee on the status of the Council's Organisational Improvement Programme, the PwC External Zoo Review as at February 2017, and the progress of currently open audit items.

Recommendation from Management

That the Audit and Risk Committee receives the report.

3. Attachments

4. Attachment 1 - Organisational Improvement Register Feb 17
5. Attachment 2 - External Zoo Review Action Plan

6. Discussion

7. As part of Council's audit programme, internal and external audits are undertaken predominantly by PwC and Audit New Zealand. Actions and recommendations resulting from audit findings are recorded and monitored through the Organisation Improvement Register.
8. There are currently 25 open items on the Organisational Improvement Register (Attachment 1).
9. Since the last reporting period 27 items have been closed and 22 new items have been added.
10. There were no overdue items within the Organisational Improvement Register at the time of writing this report.

11. PWC Zoo Audit Update

12. There were a total of 43 items classified as 'Priority' items. Priority items are reported on in Attachment 2.

13. Within the PwC Zoo Audit Action Plan, 19 items of the 43 Priority items have been completed. 21 items are in progress and on track to meet target completion dates. One item has not been started and two items not implemented. Rationale has been provided in the case of audit items not being implemented or started.
14. At the time of writing this report there were no overdue items within the PwC Zoo Action Plan.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Organisational Improvement Programme Register: Database (Open Items)										
Internal Ref	Audit Information						Risk Assessment		Improvement Action Plan	
No.	Status (O,C)	Issue	Audit Comment	Source	Ref.	Agree Management Response	Risk Rating	Flag	Status	Owner
344	Open	A strategy for the management of strategic lease properties should be developed and implemented	A strategy document ("Operational Property Plan for Hamilton City Council") was drafted in March 2011. This document included objectives for property management activities and a strategy for achieving these objectives. However it was not presented to Council or approved. There is no current formalised strategy document in place to provide direction to the activities of the SPU in relation to strategic lease properties.	PWC Internal Audit Strategic Lease Property Process Assessment	P6	Management should refresh the strategy document and clearly define the strategic objectives and the strategy to be followed for property management activities, including disposal and future property acquisition. Once developed, the strategy should be submitted to Council for approval and implemented. The strategic objectives defined for the SPU should align to the strategy and long term goals of the Council. Examples of strategies that could be employed include: 1. Maintenance of a passive property portfolio – with a target return on investment of around 9-12% (ungeared) 2. Maintenance of an active portfolio with a target return of around 12-18% (ungeared) 3. Maintenance of a blended portfolio with a target return of around 12-14% (ungeared). The strategic objectives defined should also include 'civic' outcomes, such as: 1. Specified preference to support revitalisation of the CBD or reserves, 2. Specified preference to invest in Hamilton or within Waikato boundaries 3. Specified preference to invest in targeted growth areas within Hamilton City (i.e. regeneration areas, new growth areas). The strategy document may also consider when and how proceeds from property sales should be re-deployed.	High		In Progress	Strategic Property Unit Manager
199	Open	Project Management Framework	Maturity of PM practices requires improvement.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #2 page 7	The approach taken to date has been to provide a PMO that is "enabling" not "controlling". This has been intentional with the PMO designed to address HCC's needs in an incremental way. Management acknowledge that a more directive line is likely to have achieved a faster result, in terms of engagement with and of the PMO. However a directive approach was considered to require a greater level of staffing than the current PMO was able to provide. Inability to meet demand created by a directive approach in addition to the added burden on the organisation this approach would create were considered significant risks to the PMO's ongoing success. The PM Policy can be revisited in light of the recommendation to provide direction on engagement with the PMO and can be updated to include a single project lifecycle. This can be completed within the first quarter 2014/15. Since the commencement of this assessment process 32 staff have completed all three project management modules and a community of practice has been established. It is envisaged that this will enable a monthly forum for PMs to meet on an ongoing basis. The primary objective is to continue to develop HCC's PM capability and continue to strengthen the PMO's visibility and positive working relationship across the organisation. It is intended that the PM in house training courses will continue. HCC has engaged a provider who is also delivering equivalent PM training to Waikato Regional Council and Western BOP. Discussions between the arranging staff at these Councils has been on the basis of enabling cross over to enable training sessions to be filled, as going forward the demand will lessen with more and more people having been captured. Training is actively promoted via intranet and direct with GMs and staff eligible to undertake the next module HR has been requested to support PM training further with ensuring new staff receive information concerning PM practices and training opportunities at HCC Buddying will be possible once all staff who have completed the training are in a position of being confident with their new skills and have had experience and success with applying them. The PMO currently provides a buddying service through the PMO manager – with the increasing maturity of project management and improved capacity with staff completing the 3 training modules and successfully implementing projects more staff will be available to participate in this process and provide buddying to new PMs Ideally all UMs should undertake Module 1 – however the practicality of ensuring attendance when workloads are as significant as they are will continue to be a barrier. Ongoing visibility of the training is planned by PMO and active	High		In Progress	PMO Manager
305	Open	Property, plant and equipment	Capitalise completed projects timely in the fixed asst register	Audit NZ Management Report, March 2016	P3	Staff agree, the amount of WIP which should have been capitalised is high. We also note that the misalignment does not result in a material misstatement. Business processes are being improved. This includes the establishment of a Capital Monitoring Group lead by the Coporate Services Manager to ensure delivery of the asset programme and its capitalisation. Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in WIP or business processes to improve organisational performance around capitalisation of assets and capitalisation.	High		In Progress	Financial Controller

106	Open	Event Management	There is a lack of formal review of event planning to ensure that appropriate services are provided to clients.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #3, Page 12	Management are currently in the process of developing an Event Order confirmation report within EBMS. This report will detail all services and requests that the client has made and will be required to be signed off by the client and event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. This report is due for release in 11 June 2013. We agree with all the other recommendations detailed in the outcome of the review and will be putting together a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes.	Moderate		On Hold	GM Events & Economic Development
315	Open	Other less significant matters	An internal review performed over H3's revenue and expenditure systems to ensure adequate controls are in place	Audit NZ Management Report, March 2016	P4	Staff agree and the newly appointed H3 finance Manager will be address the matters as follows: An integratiry Control register will be established within H3 Group to manage the recording of key integrity checks. This will be reported to management as a part of the regular internal reporting.	Moderate		In Progress	N/O
316	Open	Other less significant matters	Review of H3's year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period	Audit NZ Management Report, March 2016	P4	The recording of revenue is configured in the invoicing and payment plans which are linked to contracts, through the Ungerboeck system. H3 Group will review at each major period Event bookings and, where material, will accrue the appropriate revenue (and any associated costs), in the appropriate period. This will form part of the half year and year end processes.	Moderate		In Progress	N/O
337	Open	Creditor masterfile change report	The creditor masterfile change report to be updated to include the nature of changes so that it can be reviewed for reasonableness. All new supplier changes and bank account changes independently reviewed against supporting documentation.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	
338	Open	Creditor masterfile change made without prior approval	New supplier forms approved by the procurement manager prior to a changes made in the system.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	
339	Open	Adoption of legislative compliance policy	The Legislative Compliance Policy formally approved by Council and made available to staff throughout the organisation.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	

340	Open	Review of legislative compliance responsibility	In view of the recent changes in organisational structure and appointment of new key personnel, Council to consider a review of legislative requirements applicable to Hamilton City Council and consider ways to ensure that staff are aware, and take ownership, of responsibilities applicable to them.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	
341	Open	Dynamics AX user profiles	Improvements made to the internal control procedures for adding and removing users, and implement procedures to manage changes to delegated authorities in the AX Dynamics system.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	
342	Open	Recording of IT assets and their antivirus status	Priority given to ensure that all Council's desktops are recorded, managed and updated with anti-virus updates.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	
343	Open	Regular patching of City Councils desktops	Monthly patching of desktops reinstated to ensure improved security to the City Council information.	Audit NZ Interim management report on the audit of Hamilton City Council for the year ended 30 June 2016	P3		Moderate		In Progress	
317	Open	IT Controls	Refine the process for adding, amending and removing user's network access	Audit NZ Management Report, March 2016	P4	The on-boarding and off-boarding process generally works wells. This particular example falls outside the norm. An audit has been completed to ensure no other anomalies. Council is investing in further automation to reduce the possibility of this happening again.	Moderate		In Progress	CIO
243	Open	Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444)	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Low		In Progress	Waters Manager
349	Open	Property management system should be considered to increase the efficiency of property management processes	The strategic property portfolio management processes are currently supported by a Microsoft Access database and a paper based filing system. As such, property files including contracts, correspondence with leasees, rental assessments etc. are all retained in hard-copy and are inefficient to manage. The current system does not facilitate efficient budgeting, reporting, and management at an individual property level. This reduces the quality of any budgeting and reporting for the SPU as a whole.	PWC Internal Audit Strategic Lease Property Process Assessment	P13	Management should consider implementing a property management system to better support and facilitate the strategic property management processes.	Low		In Progress	Strategic Property Unit Manager

353	Open		With the discontinuance of the HCC Internal Audits (last one in November 2016). There have been no formal internal audits of the environmental management system. There is currently no schedule in place and no allocated trained auditor(s). It is understood that under the organisational restructure that a person(s) will be allocated to the Internal Auditor role. Non-conformance: Hamilton Zoo has not carried out Internal Audit in a planned and controlled/scheduled manner. Clause of the standard : ISO14001 clause 4.5.5	ISO 140001 telarc audit (Zoo) August 2016		Planned: Within 3 months Stephen (Zoo Director) will send the Auditor an Action Plan of what the Zoo will be doing going forward. The Action Plan to include: 1. Auditor(s) have been allocated (and trained if required) 2. Schedule of Internal Audits developed 3. If timely, then an example of an Internal Audit Report – this may occur after the 3 month timeframe.	Low		In Progress	
308	Open	Property, plant and equipment	Ensure all parks, gardens and building assets are added to the Hansen 8 system so information is all contained with one asset management system	Audit NZ Management Report, March 2016	P3	Staff agree. Council is in the development stage of implementing new systems and plan to have all out parks, gardens and building assets data held in Hansen 8. Council has initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in appropriate systems.	Low		In Progress	N/O
319	Open	General ledger reconciliations	From our review of monthly reconciliations, we identified the following: • The suspense accounts were not always prepared or when they were prepared they were not always dated so we could evidence the timeliness of the review. These reconciliations were not always independently reviewed in a timely manner. • The fixed assets reconciliations were not prepared until March 2015. • The October 2014 Bank Reconciliation could not be found. We understand that the significant delays in preparing or independently reviewing the reconciliations are mainly due to the system upgrade. We recommended reviews of general ledger reconciliations be carried out in a timely manner.	Audit NZ Fact Sheet HCC Interim April 2016	P15	Based on our review of the suspense account reconciliations, we have identified that these were either not prepared in a timely manner or not reviewed independently. We noted the December 2015 reconciliation had not been prepared until February 2016 and was not independently reviewed. The February 2016 was not independently reviewed until April 2016. The fixed asset reconciliations were only prepared for November 2015 and March 2016. These reconciliation had not been independently reviewed. All the bank reconciliation had been prepared and reviewed in a timely manner.			In Progress	Financial Controller
324	Open	Transportation Measure	An independent audit is being completed over the Downer progress payments and claims process. We recommended the City Council ensures the independent audit includes a review of the Downer's performance information management systems as these systems are relied on for the statement of service performance reporting. This will give the City Council assurance that the information in Downer's system is complete and accurately recording the information.	Audit NZ Fact Sheet HCC Interim April 2016	P21	We will follow up a year-end whether a review over Downer performance information systems has been completed.			In Progress	N/O

326	Open	Ministry of Transport Accrual	We continue to note the City Council has a long outstanding payable to Ministry of Transport for traffic infringements payable to the Ministry that were collected from the public by the Council. The amount that has been accrued is \$1.25 million. Included in this, is an amount of \$1.1 million which relates to periods between 2006 and 2010. We recommend a formal review be completed over this accrual to determine if the amounts accrued from 2006 through to 2010 are still payable or not.	Audit NZ Fact Sheet HCC Interim April 2016	P23	We will follow up a year-end whether a review over the transport accrual has been completed.			In Progress	N/O
328	Open	IT Issue - Dynamics AX user profiles	We noted during our review of Dynamics AX financial system user access that there were staff who had been assigned incorrect profiles in the system and staff who had left but not removed. We also noted that staff are disabled in the system but not removed when they leave the council, and that the workflow which manages delegated authority approvals is not working correctly because staff changes have not been updated in the workflow system. We discussed these with the Procurement Manager and corrections have now been made to the profiles. We understand that staff are working to correct the workflow for delegated authorities. Improvements need to be made to procedures for adding and removing users and managing changes to the structure chart and workflow for delegated authorities in Dynamics AX. Given the amount of change that council has undergone recently, a full review of all roles should be performed in Dynamics AX and Authority.	Audit NZ Fact Sheet HCC Interim April 2016	P25				In Progress	N/O
329	Open	IT Issue - No Organisational Buiness Continuity Plan or IT Disaster Recovery Plan	We have noted in prior years that Council has continued to defer the development and testing of an organisational Business Continuity Plan and an IT Disaster Recovery Plan. We continue to recommend that Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans. Update in 2015. The project to outsource all IT support and datacentre hosting to Fujitsu, will include development of new IT Disaster Recovery management systems and processes.	Audit NZ Fact Sheet HCC Interim April 2016	P28	The IT DRP is awaiting finalisation with the pending changes to Desktop as a service, and server hosting redundancy services currently under negotiation with Fujitsu and Azure. During the year the Azure datacentre was down for one day and there was no backup service available to the council. Responsibility for Organisational Business Continuity lies with another area within council. We continue to recommend that council develops and tests organisational business continuity and IT disaster recovery plans.			In Progress	N/O

330	Open	IT Issue - Recording of IT assets and their Antivirus status	The monthly Fujitsu report contains inconsistencies in numbers of IT assets owned by council, raising the risk that not all IT devices are being updated with Anti-Virus software and may not be patched on a regular basis Fujitsu have acknowledged this and are working on a project to improve asset recording and reporting This is part of the project to move to Desktop as a Service Priority should continue to be given to ensuring all councils desktops are recorded, managed and updated with Anti Virus updates and patches.	Audit NZ Fact Sheet HCC Interim April 2016	P29			In Progress	N/O
331	Open	IT Issue - Regular patching of councils desktops	The monthly Fujitsu report contains inconsistencies in numbers of IT assets owned by council, raising the risk that not all IT devices are being updated with Anti-Virus software and may not be patched on a regular basis Fujitsu have acknowledged this and are working on a project to improve asset recording and reporting This is part of the project to move to Desktop as a Service Priority should continue to be given to ensuring all councils desktops are recorded, managed and updated with Anti Virus updates and patches.	Audit NZ Fact Sheet HCC Interim April 2016	P30			In Progress	N/O

ZOO ACTION PLAN - PRIORITY

Agreed corrective and preventative actions

No.	Area of review	Action	PwC ref	Owner	Due Date	Status	Comment
1	Carry over actions from H&S investigation D-1969518	Investigate an RT call-in process for keepers entering dangerous animal areas	N/A	Zoo Curator	31/05/2016	Complete	Set break times established for keepers including a call-in process to ensure that any missing staff are followed up (TRIM D-2268990)
2	Carry over actions from H&S investigation D-1969518	Consider the installation of safety porches for all vehicle access gates into dangerous animal enclosures	N/A	Zoo Director	21/09/2016	Complete	Safety porches to be installed for all Category 1 dangerous animal exhibits (tigers, chimpanzees, wild dogs)
2A	Carry over actions from H&S investigation D-1969518	Installation of safety porches for all vehicle access gates into tiger enclosures	N/A	Zoo Director	21/09/2016	Complete	Completed for tiger exhibit - ENC13 on 18/03/2016 (Contract 15322 - Old Tiger House Fencing) and ENC13A on 19/04/2016 (Contract 15434 - Tiger House Fencing ENC13A)
2B	Carry over actions from H&S investigation D-1969518	Installation of safety porches for all vehicle access gates into wild dog enclosures	N/A	Zoo Director	31/03/2017	On track	Safety porches (double gate system) already in place at both dog enclosures but require upgrades. Upgrade to ENC12 started 9/01/2017
2C	Carry over actions from H&S investigation D-1969518	Installation of safety porches for all vehicle access gates into chimpanzee enclosure	N/A	Zoo Director	TBA	Not started	To consider in wider review of chimpanzee containment
3	Carry over actions from H&S investigation D-1969518	Upgrade radio transmission coverage at the Zoo	N/A	Visitor Experience Manager	30/04/2016	Complete	Two new masts and transmitter installed, which was completed 10/06/2016
4	Carry over actions from H&S investigation D-1969518	Review zoo training procedures and competencies	N/A	Zoo Curator	30/06/2016	Complete	Initial review completed 31/08/2016
4A	Carry over actions from H&S investigation D-1969518	Review zoo training procedures and competencies	N/A	Operations Manager	30/06/2017	On track	Recruiting for a new role - Team Leader Professional Development, who will be responsible for establishing competencies, training and certification of Zoo Keepers
5	Procedures and training	Establish regular inspection of chimp enclosure welds by engineer and update Work Instruction	1.3.2.2	Zoo Curator	30/06/2017	On track	Procurement underway, scope of work to include welded mesh areas in chimpanzee, tiger and wild dog exhibits as well some older welded mesh exhibits.
6	Procedures and training	Implement a simple task based checklist control system so that keepers follow the same consistent processes when conducting safety critical processes with Category 1 dangerous animal, e.g. feeding, cleaning and start-up	1.1.2.4	Operations Manager	31/07/2017	On track	Processes established for two-keeper routines (category 1 dangerous animals) are being reviewed by Operations Manager
7	Procedures and training	Review emergency scenarios (inc power loss) and update plans	1.8.2.1 1.3.2.1	Project Support	1/07/2016	Complete	Emergency Procedures were all reviewed by 3/08/2016. Risk of total power loss for more than 24 hours has been considered and TL Grounds investigating generator options for critical assets
7A	Procedures and training	Review emergency response and update plans	1.8.3.1 1.3.2.1	Operations Manager	31/08/2017	In progress	Operations Manager working with Risk Manager (January 2017) - deadline extended
7B	Capital, equipment and maintenance	Emergency scenario - risk of total power loss for more than 24 hours - purchase of back-up generator(s)	1.3.2.1	Team Leader Grounds	30/06/2017	On track	Obtain budget approval for back-up generator and complete procurement process
8	Procedures and training	Implement monthly drills of improved emergency scenarios	1.8.3.1	Project Support	1/08/2016	Completed and ongoing	Staff Action Team established a rolling scenario between four key zoo areas: animals, grounds, civil defence and reception (fire, medical). Monthly drills / emergency response training have been implemented by animal care teams (October 2016)
9	Procedures and training	Amend work instruction for tiger and carnivore routines to show that location of tigers should always be known	1.1.1.2	Zoo Curator		Complete	JDI
10	Procedures and training	Change frequency of checks for chimp enclosure perimeter fence to daily and update work instruction	1.3.2.1	Zoo Curator		Complete	JDI. Note that recruitment of additional staff is required to fully implement (refer to Action 46)
11	Procedures and training	Change practice of staff to clean in presence of female wild dog and update work instruction	1.2.4.1	Zoo Curator		Complete	JDI
12	Procedures and training	Change practice of staff to visually inspect welds in chimp enclosure daily for damage and repairs conducted immediately; update work instruction	1.3.2.2	Zoo Curator		Complete	JDI. This is already being done and work instruction updated to reflect this practice
13	Procedures and training	Include registered shooter on site during operational hours	1.8.3.2	Operations Manager	31/08/2017	In progress	New rifles purchased (July 2016); additional staff require training to be fully competent - deadline extended as dependant on completing recruitment
14	Procedures and training	Change practice for all category 1 animals to two keeper system with clearly documented procedures and update work instruction	1.3.3.1	Zoo Curator	31/12/2016	Complete	Implemented for tigers (September 2015); implemented for chimps (May 2016); implemented for wild dogs (September 2016)
15	Procedures and training	Establish and implement a monitoring/audit procedure for two keeper procedures	2.1.5	Project Support	31/12/2016	Completed and ongoing	Operations Manager responsible for this from December 2016
22	Capital, equipment and maintenance	Immediate change to railing on bridge of chimp enclosure	1.3.1.1	Zoo Director		Complete	Implemented immediately
23	Capital, equipment and maintenance	Add mechanism to lock slide gates for wild dog enclosure - ENC1	1.2.3.1	Zoo Director		Complete	Locking arms installed in ENC1 (April 2016)

ZOO ACTION PLAN - PRIORITY
Agreed corrective and preventative actions

No.	Area of review	Action	PwC ref	Owner	Due Date	Status	Comment
23A	Capital, equipment and maintenance	Add mechanism to lock slide gates for wild dog enclosure - ENC12	1.2.3.1	Zoo Director	31/03/2017	On track	Included in upgrade to ENC12 that started on 9/01/2017 (see action #2B)
24	Capital, equipment and maintenance	Redesign of bridge across chimp enclosure	1.3.1.1	Project Support	27/05/2016	Complete	Installation of new railings completed 24/05/2016. Plastic spikes and new warning signs fitted (June 2016)
25	Capital, equipment and maintenance	Add engineering controls (mechanical fail-safes) that prevent critical gate combinations in tiger enclosure being open while staff may be in danger zones	1.1.2.1	Zoo Director	31/08/2016	Complete	Installation of engineering controls preventing access to personnel safety porches for tiger enclosures ENC13 and ENC13A completed (June 2016) and audited by Chris Alderson (PwC H&S expert) on 28/07/2016 - confirmed that mechanical fail-safes are adequate
26	Capital, equipment and maintenance	Implement system for clearly indicating which tiger enclosure gates are open and showing safe/danger	1.1.2.2	Operations Manager	30/06/2017	In progress	Proposal from contractor received (addressing 1.1.2.1 and 1.1.2.2) but did not fully meet scope (November 2016). Responsibility assigned to Operations Manager (December 2016) and detailed design is due 30/06/2017 but extension required for installation
27	Procedures and training	Tigers should not be given access to roam inside and outside at the same time: should be shut in or shut out on exhibit	1.1.1.3	Zoo Director		Not implemented	NOT TO BE IMPLEMENTED: Zoo Action Team did not agree with recommendations for animal welfare reasons (animals confined to house for long periods) and consider that the mechanical interlock between sliding gate VS1 and the safety porch, and equivalent in new tiger house, is more effective if tigers left in exhibit overnight continue to have access to house (section 6A in minutes 18/05/2016, TRIM D-2155370)
27A	Capital, equipment and maintenance	Tigers should not be given access to roam inside and outside at the same time: shelter to be built in tiger enclosure so can be locked on display without access to house	1.1.3.1	Zoo Director		Not implemented	NOT TO BE IMPLEMENTED: alternative shelter could potentially cause animal management issues, e.g. animal not wanting to come in off display; tiger not associating house as primary secure place for refuge; tiger has another hiding place in the exhibit (section 6A in minutes 18/05/2016, TRIM D-2155370)
28	Capital, equipment and maintenance	Install CCTV across the zoo to enable reduced physical visits	2.1.4.1	Project Support	31/03/2017	On track	Zoo Action Team determined areas that should have cameras (minutes 21/04/2016, TRIM D-2313283; attachment TRIM D-2313289). Initial focus on tiger exhibit - installation commenced September 2016, on hold during summer holidays and now completed; testing and staff training March 2017
45	Organisational Structure	Split the Curator role into Operations Manager & Curator	2.1.4	Zoo Director	9/09/2016	Complete	Curator employed from 11/09/2016 and Operations Manager employed from 21/11/2016
46	Organisational Structure	Recruit additional keepers and implement proposed rosters - recruit	2.1.1	Operations Manager	31/03/2017	On track	Increased FTE approved by Finance Committee (20/09/2016). Recruitment of additional Zoo Keepers completed, with some due to start in March 2017
46A	Organisational Structure	Recruit additional keepers and implement proposed rosters - implement new rosters	2.1.1 2.3.1	Operations Manager	30/04/2017	On track	Several roster options have been developed for consultation with staff
47	Organisational Structure	On the ground coach engaged to work with TLs and Managers onsite, including weekends to assist with updating PDs, leadership development, culture change and stress management	2.1.9	Operations Manager	31/03/2017	On track	These requirements included in Position Description for Team Leader Professional Development, a new role within FTE approved by Finance Committee (20/09/2016) - recruitment underway
58	Workforce Planning	Review Keeper position descriptions, delegations and refresh capabilities section	2.4.1	Operations Manager	30/06/2017	On track	
59	Workforce Planning	RASCI (Responsibility Matrix - Responsible, Accountable, Support, Consulted, Informed) analysis of key tasks performed by keepers across the zoo	2.4.1	Operations Manager	30/06/2017	On track	
60	Workforce Planning	Define capability requirements, assess current capabilities, determine gaps and develop strategy to fill gaps	2.5.1	Operations Manager	30/06/2017	On track	
69	Workforce Planning	Establish key objectives for the Zoo Director	2.4.5	GM Community		Complete	
70	Workforce Planning	Address support services from HR- what should they provide?	3.1.4.1	GM Community		On track	Part of HR review
74	Workforce Planning	Identify capability needed for asset management: identifying facilities issues, solving problems, commissioning work, managing contractors and monitoring quality	3.1.2.1	Zoo Director	30/06/2017	On track	
75	Workforce Planning	Condition assessments need to be completed to an asset component level	3.1.3.1	Zoo Director	31/03/2017	On track	Part of the Asset Management Working Group programme of works. Facilities have contracted SPM to carry out this work on all significant zoo buildings and structures, commenced 23/01/2017
76	Strategic and Governance	Determine if there is a governance option that will enable the Zoo to operate more effectively	3.3.1 3.3.2 3.4.2.1	GM Community	30/06/2017	On track	Discussing with Auckland Zoo
77	Strategic and Governance	Seek approval of Draft Hamilton Zoo Master Plan and funding for implementation	3.4.2.2	GM Community	30/06/2017	On track	Council briefing on Draft Hamilton Zoo Master Plan completed 13/02/2017 complete; report to Community and Services Committee on 4/04/2017

Committee: Audit & Risk Committee

Date: 14 March 2017

Report Name: Risk Management Report

Author: Andre Chatfield

Report Status	<i>Open</i>
Strategy, Policy or Plan context	
Financial status	<i>This activity is funded by the Risk and Insurance Management Unit budget. Amount \$291,000</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose

- To inform the Audit and Risk Committee on Council's Material Risks following a routine quarterly review.

3. Discussion

- Attached is the quarterly review of the Material Risks to the organisation. These are updated by the Risk and Insurance Manager for consideration by the Senior Leadership Team.
- The format and presentation of the Material Risk Report is currently being refined to enhance readability and comprehension, and identify actions underway to improve the mitigation ratings of each material risk.

Recommendation from Management

That Audit and Risk Committee receives the report.

























6. Attachments

- Attachment 1 - HCC Material Risk Report

Signatory

Authoriser	David Bryant, General Manager Corporate
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Material Risks Summary

Rank	Risk Description	Inherent Risk Rating (May 2016)	Residual Risk Rating (Sept 2016)	Residual Risk Rating (Feb 2017)
1	H&S – Workers (incl contracted workers and volunteer workers). Failure to create and maintain a safe environment for staff leading to death, serious injury.	Extreme*  Very High	High 	High 
2	H&S - Community Failure to create and maintain a safe environment for the community leading to death, serious injury.	Extreme*  Very High	Very High 	Very High 
3	Failure of critical assets Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).	Extreme 	Very High 	Very High 
4	Inadequate civil defence response Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the city to an operational standard.	Extreme 	Very High 	Very High 
5	Cyber attack Inappropriate access and/or use of Council information or ratepayer data, or inability to operate Council systems due to a cyber-attack resulting in reputational, legal and financial damage and potentially loss of service continuity.	Very High 	Very High 	Very High 
6	Reputation of Hamilton Lower than desired reputation of Hamilton contributes to sub-optimal economic and social outcomes for the city and its community.	Very High 	Very High 	High 
7	Poor data, analysis and response Inaccurate data, weak or incorrect analysis leading to inaccurate growth forecasts, financial modelling and untimely responses to trends resulting in inappropriate levels of investment in public assets.	Very High 	High 	Medium 
8	Failure of BCP Failure of, or inadequate Business Continuity Plans (when they are required), result in unacceptable business interruption and disrupted customer service.	Very High 	Very High 	High 

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

Risk Triggers					
<ul style="list-style-type: none"> Inadequate understanding of the scope of HCC's health and safety responsibilities Human error and complacency Under investment in infrastructure 					
Inherent Likelihood	Extreme Very High	Inherent Consequence Drivers Social & Cultural	Very High	Inherent Risk Rating	High
Existing Controls and Mitigations					
1. Health and Safety Management System – system development phases 2. Includes Plans, procedures for work practices/activities for all identified high risk areas 3. Bow Tie framework to 14 Critical H&S Risks and Controls 4. Pre-qualification engagement program – contractors 5. ICAM investigation framework to identify root cause in support of Bow Tie					
Residual Likelihood	Unlikely	Residual Consequence Drivers	Very High	Residual Risk Rating	High

Further Actions Required	Update – Feb 2017	Action Owner
<ul style="list-style-type: none"> Establish a governance framework for the engagement and management of contractors Enhance the safety behaviours / culture program (take it to the next level of maturity) Design and implement an appropriate monitoring approach (audits and reviews (by both external parties and leadership inspections)) and reporting framework to ensure oversight and focus on resolving actions Asset Management Planning Centre of Excellence will review Asset Management Plans to ensure sufficient investment to minimise health and safety risks Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls. 	<ul style="list-style-type: none"> Prequalification contractor management commenced 5/09/2016 with significant participations Bowtie workshop completed December 2016 – feedback provided to Council by PWC 20/02/2017 with associated tools to support safety culture. ICAM investigator training planned for May 2017. 12 key investigators across Council to improve response management gaps. H&S Contractors SLA / LOS requirement contract management training to be established for Project Managers within Council. Gaps identified by Finance, Procurement, Risk and H&S business units. Procurement, Risk and PMO establishing more in-depth training that will incorporate this 	David Bryant (General Manager Corporate)

	<p>training gap identified. JUNE target date.</p> <ul style="list-style-type: none">• 10 of 12 Monthly external audits conducted on high risk sites.• Positive improvements have been identified in Vault data analysis from observations, audits, reporting of near hits and related reporting aligned to the monitoring approach.	
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* There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

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

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

Risk Triggers					
<ul style="list-style-type: none"> Inadequate understanding of the scope of HCC's health and safety responsibilities towards the community Failure in planning or controls with engineered services or infrastructure Human error / inappropriate behaviours Under investment in infrastructure 					
Inherent Likelihood	Very High	Inherent Consequence Drivers Social & Cultural	Very High	Inherent Risk Rating	Very High
Existing Controls and Mitigations					
<ul style="list-style-type: none"> Health and Safety Management program implemented Includes Plans, procedures for work practices/activities for all high risk areas Includes Pre-qualification engagement program – contractors Call Centre feedback and HCC Website capability for community to report hazards. Incl social media monitoring by Communications 					
Residual Likelihood	Unlikely	Residual Consequence Drivers	TBC	Residual Risk Rating	Very High
Further Actions Required		Update – Feb 2017		Action Owner	
<ul style="list-style-type: none"> Design and implement an appropriate monitoring approach (audits and reviews (by both external parties and leadership inspections)) and reporting framework to ensure oversight and focus on resolving actions Asset Management Planning Centre of Excellence will review Asset Management Plans to ensure sufficient investment to minimise health and safety risks to the community ONGOING Enhance understanding of key risk scenarios and commonality of critical controls. Ensure on-going monitoring of effectiveness of critical controls where community is exposed. Yet to be established 		<ul style="list-style-type: none"> Gap analysis of Community H&S exposure to Council to be established. Safety and Design to be factored into development/modifications of infrastructure and public facilities. i.e. building code compliance failures or conflicting standards and best practice. An analysis of all Asset Management Plans is still to be completed to determine investment levels meet council requirements. Results pending Q1/2017. Follow up on legal assistance to be sought for clarity over liability exposure in high risk activities, assets or services to community. 		David Bryant (General Manager Corporate)	

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

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

Existing Controls and Mitigations					
<ul style="list-style-type: none"> Asset management plans prepared and overseen by the GM City Infrastructure to drive consistency Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM City Infrastructure Expert peer reviews of asset management plans with a focus on identification and treatment of critical assets Financial peer reviews of asset management plans' proposed budgets Engagement at governance and executive level on asset management plans 					
Residual Likelihood	Unlikely	Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural	Catastrophic	Residual Risk Rating	Very High

Further Actions Required	Update – Sept 2016	Action Owner
<ul style="list-style-type: none"> Identify critical assets providing a critical service UNDERWAY Develop asset condition management strategy COMPLETED Increase detailed budget planning from 3 and 10 year to 30 year period UNDERWAY Complete formal asset management plan in time to inform the 10 year plan process UNDERWAY Independent reviews across all Asset Management Plans established Feb 2017 COMPLETED Infrastructure performance measures to enable ongoing monitoring should be reported to the ARC. 	<ul style="list-style-type: none"> Critical assets are identified within the Activity Management Plans with improved planning for renewal ahead of failure at certain conditions. Infrastructure Strategy is still being developed and to reference a Financial Strategy scenario that anticipates the continuation of the current financial strategy to test affordability. Independent annual review across AMPs implemented. Updated baseline for asset management that includes condition performance, critical assets identified, planning/strategy management of critical assets and financial forecasting 3-10-30 year gateways. 	Chris Allen (General Manager City Infrastructure)

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

Risk Triggers					
<ul style="list-style-type: none"> Lack of experience with real life emergency situations Turnover of trained staff 					
Inherent Likelihood	Likely	Inherent Consequence Driver Safety & Wellbeing, Service Delivery, Social, Cultural and Environment	Catastrophic	Inherent Risk Rating	Very High

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

Further Actions Required	Update – Sept 2016	Action Owner
<ul style="list-style-type: none"> Monitoring of SLA in place with WRC and reporting bi-annual progress reports. Review and communicate emergency response procedure to lift civil defence awareness through the organisation ONGOING Develop succession plan for critical Emergency Management knowledge 	<ul style="list-style-type: none"> SLA in place since Oct 2016. Implementation phases on schedule Capability Assessment conducted Feb 10th will provide baseline of Hamilton's Civil Defence capability. Report due March 10th 2017. Capability assessment's focus is on Planning, Recovery, Welfare and Community Response as part of the move to increase the visibility of CDEM in Hamilton and surrounding Districts Draft Civil Defence Work Plan for 2017 by WRC (Group) expected to be completed March 2017. Work plan is expected to strengthen findings in the capability assessment. 3 staff deployed to Kaikoura event and 5 staff placed on standby. Lesson learnt from this event to be shared after conference held 24th Feb in Wellington. 2 x staff attended. MCDEM advises of focus support and implementation of Establishment of National Recover Office Implementation of Recovery Legislation Support works on Wellington Resilience Establishment of a National Public Alert System Coordination of intensified national public education campaign 	Blair Bowcott (GM - Special Projects)

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

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

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

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

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

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

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

Further Actions Required	Update - Feb 2017	Action Owner
<ul style="list-style-type: none"> • Develop a communications strategy which addresses the national perception. It needs to articulate how we want Hamilton to be perceived nationally and a plan for how we go about affecting that. 	<ul style="list-style-type: none"> • Communications provide a reactive service with assigned Communications Advisors to each business unit. • Operationally this is working with existing strategies being established and implemented. • Housing Infrastructure Fund (HIF) incorporating collective strategies to support this objective 	Sean Hickey (General Manager Strategy & Communications)
<ul style="list-style-type: none"> • Develop and communicate the role Hamilton can play as an economic enabler of the "national growth 	<ul style="list-style-type: none"> • Significant works completed with reference material in Hamilton Housing Market; 	Kelvyn Eglinton (General Manager City Growth)

story" and a solution to Auckland housing issues.	Growth Indicator report and Welcome to Hamilton City; City of Growth, Opportunity and Innovation booklet.	
<ul style="list-style-type: none"> Develop a Stakeholder relationship strategy and management plan to segment and manage key customers and stakeholders. 	<ul style="list-style-type: none"> Developers and Consultants Forum (DCF) established with quarterly meetings. Agendas are set via an industry liaison group and by canvassing senior leadership/ key staff and include significant emerging issues, development trends and updates on key developments. 	Kelvyn Eglinton (General Manager City Growth)

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

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

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

Further Actions Required	Update – Feb 2017	Action Owner
<ul style="list-style-type: none"> Establish a process of rigorous modelling and scenario planning Establish a suite of relevant, trusted data sources 	<ul style="list-style-type: none"> A review and documented improvements to growth and transport model calculations is underway to improve research calibre. ONGOING Technical phase reviews are in place and include district growth and sub-region approach. UNDERWAY NPS is enacted by legislation. A sub-regional review of land use, demand and supply is underway. Tracking infill development against 47% growth target. Quarterly analysis of external housing, market drivers is captured in the Hamilton Housing Market & Economy Growth Indicator Report 	Kelvyn Eglinton (General Manager City Growth)

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

Risk Triggers					
<ul style="list-style-type: none"> Business Continuity Plans are not communicated effectively Untested Business Continuity Plans Business Continuity Plans haven't contemplated all the scenarios Business Continuity Plan solutions are inadequate Business Continuity Plans are not up to date Business Continuity Plans don't cover off all critical areas of the business 					
Inherent Likelihood	Likely	Inherent Consequence Driver Service Delivery	Serious	Inherent Risk Rating	Very High
Existing Controls and Mitigations					
1. Business Continuity Plans in place for all critical activities and business units 2. Business Continuity Plans are reviewed quarterly by Risk & Insurance business unit 3. Business Continuity Plans are reviewed as part of asset management planning 4. Business Continuity Plans are reviewed on an ad hoc basis by Internal Audit					
Residual Likelihood	Unlikely	Residual Consequence Driver Service Delivery	Serious	Overall Residual Risk Rating	High

Further Actions Required	Update - Feb 2017	Action Owner
<ul style="list-style-type: none"> Visibility and ownership of Business Continuity Plans to be outlined to all assigned SLT members Velocity site to be updated with easy access instructions in response to an event. Business Continuity Plan testing plans to commence in May 2017 after full implementation 	<ul style="list-style-type: none"> Business Continuity Plan establishment and implementation across the organisation has been completed. 21 x BCPs in place. Introduction BCP training workshops are to be integrated within Incident and Crisis Management workshops. Expected completion is July 2017 Testing and drills planned for next quarter to determine levels of capability.. 	David Bryant (General Manager Corporate)

APPENDIX A – RISK RATING

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

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

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

APPENDIX B – RISK LIKELIHOOD AND CONSEQUENCE 5 X 5 MATRIX

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

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

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

APPENDIX C – ACTION REQUIRED AND REPORTING

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

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

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

APPENDIX D – RISK MATRIX LEGEND

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

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

Committee: Audit & Risk Committee**Date:** 14 March 2017**Report Name:** Insurance Report 2016/17**Author:** Andre Chatfield

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Organisational Insurance Program</i>
Financial status	<i>Budget allocated Amount \$1.6m</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. To inform the Audit and Risk Committee on the 2016/17 Insurance renewal programme.

3. Discussion

4. Hamilton City Council (HCC) continues to collectively tender its insurance programme under the Local Authority Shared Services (LASS) company umbrella, with AON New Zealand as the Insurance Broker.
5. The purpose of this relationship was to leverage the regions' collective insurance requirements to deliver economies of scale through reducing brokerage costs and reducing the exposure to market increases in premium costs while also ensuring adequate coverage of risk.
6. In September 2016 a visit to our underwriters in London by a LASS representative and Aon has resulted in significant savings for all councils in Infrastructure and Material Damage insurance. LASS and Aon negotiations achieved a 60% increase in overall capital capacity purchased from the insurance market, and insured asset values have increased 13%.
7. Hamilton City Council uses a 'Maximum Probable Loss' (MPL) approach rather than replacement value for all properties. The benefit of this approach is to ensure our Material Damage and Infrastructure arrangements provide adequate cover.
8. The HCC insurance programme continues to be managed as part of the Risk and Insurance Manager's portfolio along with business continuity planning, emergency and crisis management, risk management and legislative compliance. This has provided a centralised risk management service resource for internal risk and local hazard management.

Recommendation from Management

That the Audit and Risk Committee receive the report

9. Attachments

10. Attachment 1 - WaikatoLASS Renewal Presentation

11. Financials

12. The total insurance premiums paid in December 2016 for Hamilton City Council was \$1.614m effective till November 2017. An increase in Fire Service Levies is expected, yet not finalised and will take effect on 1st July 2017.
13. The total value of HCC assets included in the cover is approximately \$3.5b and includes property, infrastructure, vehicle fleet and fine art.
14. A breakdown of costs for 2016/17 premiums, in comparison to 2015/16 are a benefit of the London meeting is the Long Term Agreement (LTA) on rates for 2 years and increased capacity indicated as follows.

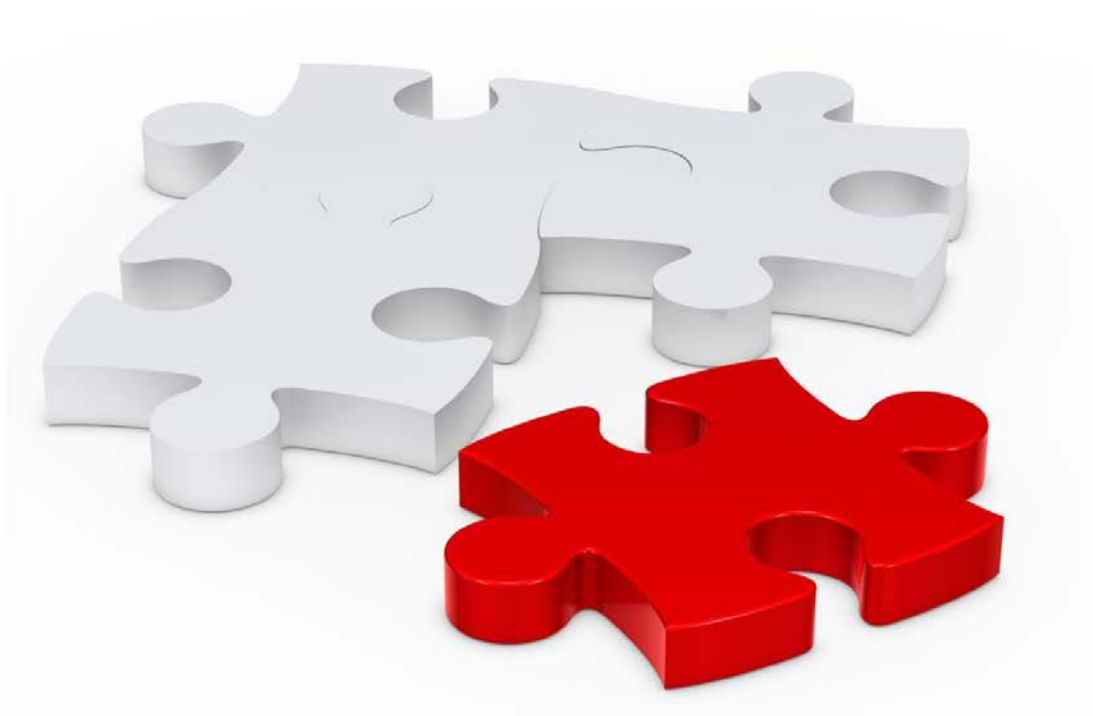
Hamilton City Council Insurance Programme 2016/17			
Policy renewals	Coverage	2016/17 Insurance premium	2015/16 Insurance premium
Material Damage	Up to \$150m	\$ 512,371	\$ 581,907
Material Damage - excess layer	Additional \$150m (shared with Regional Council)	\$ 130,446	\$ 141,308
Material Damage - infrastructure primary layer	Lower excess but same cover (up to high excess)	\$ 175,620	\$ 161,052
Material Damage - infrastructure (includes bridges)	London insurer, high excess, major catastrophic events	\$ 388,576	\$ 379,800
Business Interruption		\$ 51,858	\$ 59,180
Fine Arts		\$ 79,240	\$ 75,676
Boiler Explosion		\$ 2,287	\$ 2,585
Commercial motor vehicles		\$ 95,284	\$ 88,730
Crime		\$ 13,121	\$ 12,453
Corporate Travel		\$ 381	\$ 1,228
	Covering Insured persons for benefits in respect of injury as a result of an accident as detailed below. 13 Elected Representatives \$100,000 9 Managers \$100,000		
Accident and health		\$ 1,216	\$ 1,213
Hall Hirers Liability	Limited or no change	\$ 11,784	\$ 11,770
Annual Contracts Works	Covers physical loss or damage and, as an option, to cover public liability arising in connection with the contract works	\$ 10,165	\$ 4,345
Employer's Liability	Liability arising out of claims made by employees for injuries outside the scope of ACC.	\$ 1,194	\$ 1,397
Statutory Liability	Covering Defence costs and fines arising out of an allegation or breach of any Act of Parliament other than an "excluded" Act.	\$ 4,596	\$ 2,705
Public Liability/Professional Liability	Limited or no change	\$ 93,070	\$ 93,058
Building Valuations Fee	Limited or no change	\$ 5,000	\$ 5,000
Brokerage Fees	Limited or no change	\$ 37,874	\$ 37,533
Underground Infrastructure Assurance Work	Limited or no change	Nil	\$ 34,000
Total		\$ 1,614,083	\$ 1,694,940

Signatory

Authoriser	David Bryant, General Manager Corporate
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Waikato Lass Renewal Presentation

12 October 2016



Agenda

- Welcome & Apologies
- Confirmation of previous meeting minutes and actions
- Renewals
- Research request David Robson
- Feedback from LGNZ
- Aon response to LASS Shareholder Survey
- Any other business



Renewal Outcomes – Key Points

- Current Insurance Market
- Effective reduction in MD rates 6.45%
- Two Year LTA
- 4.26% increase in declared values
- 5% Increase in Motor Rates
- Motor options available
- Motor Loss Ratio over last 2 years 90%
- Recommendation to increase Statutory Liability Limits
- Other classes static



Material Damage and Business Interruption

- Total Declared Values Increased by \$89,822,626
- \$2,006,586,944 to \$2,096,409,570
- Combined annual premium \$1,330,000
- Total Claims paid 2013-2016 \$524,416 (incl. reserves)
- Effective rating reduction achieved of 6.45%
- Two year deal negotiated
- Reduction in Natural Disaster Deductible
 - 2015 post 1935 5% of Site Value min \$10,000
 - 2016 post 1935 2.5% of Site Value min \$10,000
- Deductible options available



Fire Service Levies

- Current levies paid on fire loss limits
- Changes coming - not yet know
- 2017 Renewal expect increase
- Stronger regime to counter avoidance



Infrastructure Programme

Renewal – key Changes

- Limit Increase - \$120m to \$300m
- Insured Values increased by 13.4%
- Significant increases in Council specific limits (example)

Council	2015/16 Limit	2016/17 Limit
Hamilton City	\$90m	\$250m
Waipa DC	\$40m	\$80m
Waikato DC	\$35m	\$100m
Waikato RC*	\$35m	\$50m
Thames*	\$35m	\$60m

* Limits to be reviewed post completion of loss modelling

- Higher policy limits
 - Enablement Costs – (new limit) NZD19.5m
 - Unspecified Items – (new) NZD3.5m
 - AICOW - \$5m



Infrastructure Programme

- Premium Indication:

2014/15	2015/16	2016/17
\$1,067,034	\$1,085,114	~\$1,081,000*

*Net – does not include fees, GST or any applicable levies

- Outstanding result following London visit
 - 60% increase in overall capacity and ~13% increase in values
 - Premiums remain flat
- Premium splits to be agreed
- Loss modelling – Risk understanding critical to risk transfer
- Stage 2 (WRC/TCDC to be completed by end 2016).



Motor Premiums

- Loss Ratio since 2014 - 90.86%
- Total Fleet Value increased
 - 2015 \$31,713,792
 - 2016 \$33,171,454
 - 4.5% increase
- Rating increase of 2.5%
- Actual Premium
 - 2015 \$299,651
 - 2016 \$313,208
- Options and Alternative Markets approached



Motor Premiums

- Alternative Markets approached
 - Allianz – Declined to quote
 - NZI - \$374,511
 - QBE - \$370,000
 - Vero - \$369,500
- Option 1 – incl. windscreens, \$5,000 excess (current xs. \$500)
 - Zurich \$225,000
 - Vero \$189,000
- Excess increase means \$94,000 of claims to be self funded and managed.



Statutory and Employers Liabilities

- Premiums have remained static
 - Statutory Liability \$21,908
 - Employers Liability \$13,121
 - Total premium \$35,029 ex TCDC
 - Total Premium \$42,250 inc TCDC
- Options - increase SL and EL Limit to
 - \$2,000,000 - Total Premium \$52,800
 - \$5,000,000 – Total Premium \$66,000
- New insurer panel



Crime / Fidelity Cover

- Current Limit \$2,000,000 shared across group
- Annual premium \$72,310
- Option for \$5,000,000 Limit
- Annual Premium \$114,315



Other Lines

- Other Lines - Remained Static
 - Personal Accident
 - Travel
 - Forest and Rural Fire Act Costs
 - Standing Timber
 - Fine Arts
 - Annual Contract Works
 - Aviation



Questions...



13

Committee: Audit & Risk Committee**Date:** 14 March 2017**Report Name:** Health and Safety Report**Author:** Tracey Stevenson

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

1. Purpose of the Report

2. To inform the Audit and Risk Committee on health and safety matters for the six months ending 31 December 2016 and enable Elected Members to exercise due-diligence as specified under the Health and Safety at Work Act 2015.

Recommendation

That the Audit and Risk Committee receive the report.

3. Attachments

4. Attachment 1 - Health and Safety 6 Monthly Report

5. Discussion

6. The injury statistics for the 6 months ending 31 December are consistent with the results for the same period of 2015/16.
7. There were three notifiable events reported to WorkSafe New Zealand (NZ). All were internally investigated with a total of 18 recommendations identified. No further action was required from WorkSafe NZ.
8. There has been a slight reduction this year for lost time and medical treatment injuries from the same period last year. A change to the definition of medical treatment to exclude doctor visits that resulted in no treatment or first aid will see this figure reduce in future reporting. This change will be made from 1 July 2017.
9. We are currently on track to meet the organisation target of 971 near hits recorded, with the figure to date being 620 near hits recorded.
10. Hamilton City Council's new health and safety framework is being developed to ensure Council is compliant with the Health and Safety at Work Act 2015 and is meeting and/or exceeding national and international best practice.

11. Council is now participating in the Local Authority Contractor Pre-qualification Scheme, an initiative by the Waikato Local Authority Shared Services (LASS) Health and Safety Working Party. All contractors who undertake physical works or provide design services shall be registered by June 2017.
12. ACC confirmed that Workplace Safety Management Practices programme (WSMP) will cease from 2017 with no replacement system in the foreseeable future. WorkSafe NZ has been piloting a Safety Star Rating System, which Council participated in. This new system will be focused on behaviours and culture and will not be linked to ACC levies.
13. A risk management methodology 'bow-tie' was delivered in workshops in December on Council's 12 health and safety critical risks. Further work is required in 2017 to develop and implement control measures identified within the workshops.
14. External audits have been scheduled for 12 high risk work areas, with 10 being completed as at 31 December 2016. Non-compliance trends have included out of date/inadequate procedural documentation/reviews, inadequate risk assessments and lack of skill competencies being conducted. The Health and Safety unit are working with the relevant business units to support them in addressing the gaps.
15. A number of Elected Members, Chief Executive and General Managers have attended some health and safety seminars/forums/training over the past six months to improve their health and safety understanding and knowledge.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Health and Safety

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

HEALTH AND SAFETY REPORT

For period 1 July 2016 to 31 December 2016

D-2330404

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1.0 Executive Summary

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

This report provides an overview of Council’s health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the six months ending 31 December 2016.

The Health and Safety Unit are developing a new health and safety framework that will meet and/or exceed minimum legislative requirements, aligning with national and international best practice. This framework will be rolled out to the organisation before the end of June 2017.

Hamilton City Council is now participating in the new Local Authority Contractor Pre-qualification Scheme, an initiative sponsored by the Waikato Local Authority Shared Services (LASS) Health and Safety Working Party. This initiative will be available nationally from March 2017.

An ACC announcement in September 2016, confirmed that their Workplace Safety Management Practices programme will cease to exist from 2017, with no replacement programme in the foreseeable future. WorkSafe NZ has been piloting a Safety Star Rating System, which Hamilton City Council participated in. This system is focussed on behaviours and culture and will not have any link to the ACC levies.

Price Waterhouse Cooper was engaged to deliver “bow-tie” (risk management methodology) workshops on Council’s top health and safety critical risks. 12 workshops were conducted in December, with work to continue in 2017 to further develop and implement mitigating controls to reduce the likelihood of serious injuries/fatality to occur.

Summary of Key Performance Indicators (KPIs)

Injury data shows very little change this year against the same period last year in relation to injuries that resulted in medical treatment or lost time.

2.0 Key Performance Indicators

2.1 Definitions

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

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

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

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

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

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

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

Lead Indicators

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

Lag Indicators

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

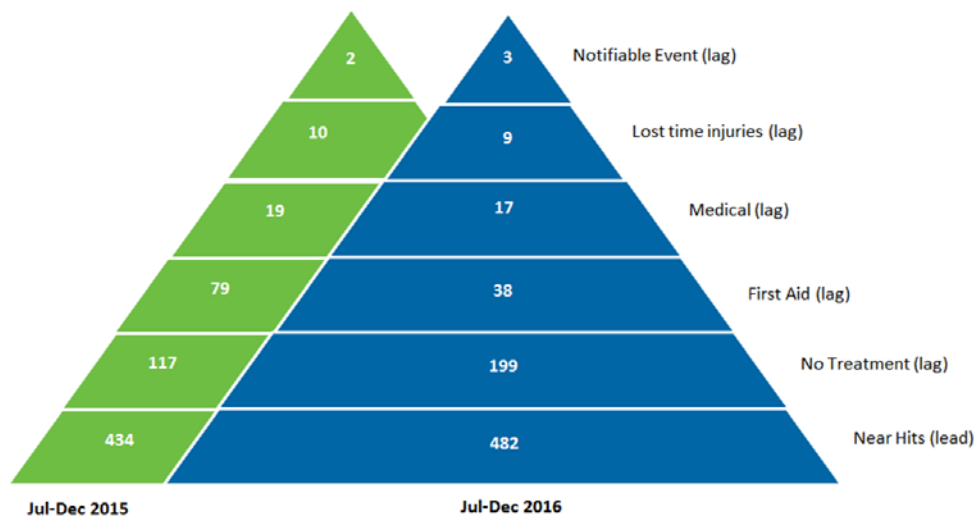


Figure 1: Performance Indicators for events from 1 July to 31 December 2016

2.2 Analysis and commentary

Notifiable Events

From July to December 2016, WorkSafe NZ has been notified of three incidents involving Council workers:

1. Gas line strike
2. Gas line strike
3. Hiab crane detached from truck chassis

Internal investigations were carried out by the Health and Safety unit with 18 recommended preventative/corrective actions identified. WorkSafe NZ required no further action.

All incidents were internally investigated to identify the root cause of the incident. The root causes of the above have been categorised as:

1. Inaccurate information - services were not accurately located by Vector, nor recorded on service plans
2. Maintenance failures, operator error

Lost Time Injuries

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

Medical Treatment Injuries

There has been a slight reduction in injuries/illnesses that resulted in workers going to a doctor. A number of these resulted in no treatment or first aid treatment for minor injuries. There is the intent that the medical treatment injuries definition will be amended to exclude doctor visits that resulted in no treatment or first aid treatment, which will result in a drop in the medical treatment injuries count from July 2017. This will provide a more accurate understanding and visibility of the more significant injuries.

Near Hit Reporting

We continue to encourage near hit recording and reporting. The benefits of management knowing of near hits include:

1. enabling pro-active control of hazards before a tragic or costly incident occurs,
2. opportunities for engagement (of all workers at all levels) in solving problems,
3. increasing health and safety ownership which may empower workers,
4. exposure of valuable information that otherwise might not be discussed,
5. contribution to a positive health and safety culture.

The 2016/17 organisational target of 971 near hits is on track to be achieved, with 620 being recorded to date. This follows last year's trend and provides a quantitative indication that workers feel safe reporting near hits and understand the benefit of reporting them. These are investigated by Team Leaders/Supervisors with preventative actions identified and implemented.

Category	Measure	Target	Result	Status	What this means
People - Health and Safety	Total recordable incident frequency rate (TRIFR)	Less than 7.5	8.4		More than 7.5 recordable injuries including medical treatment and lost time injuries
	Total lost time injury frequency rate (LTIFR)	Less than 3	2.1		Less than 3 loss time injuries or illnesses that result in a worker losing at least one full shift
	Near hit reports	At least for the year 971	620		On track to achieve year to date target
	Health and Safety audits undertaken	Monthly target of 40	140		More than 40 audits have been carried out this month
	Overdue corrective / preventative actions	Annual target of 0	2		There are overdue corrective / preventive actions that need to be addressed

Figure 2: Health and Safety Scorecard for Senior Leadership Team – January 2017

Frequency Rates

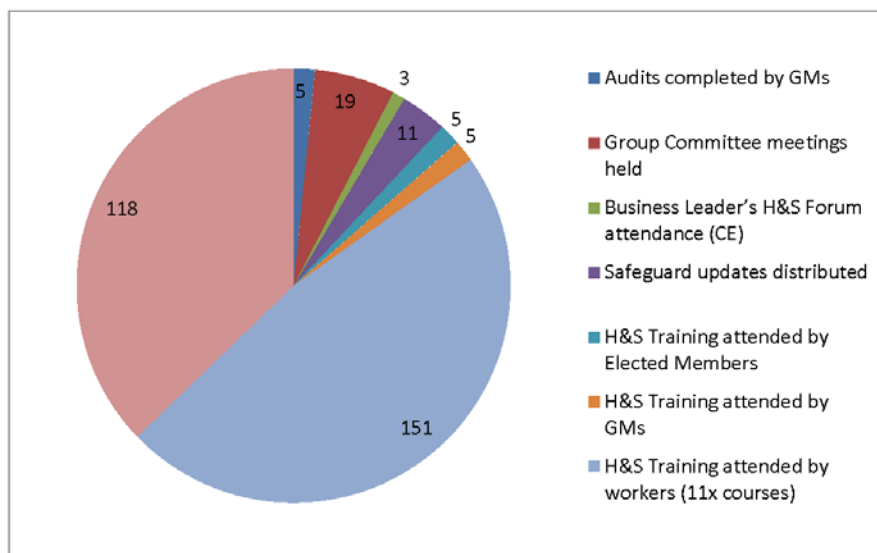
In line with industry benchmarking, Council is now monitoring frequency rates for both lost time injuries and recordable incidents (includes serious injuries down to medical treatment (excludes first aid)). 2015/16 is the first year we are tracking the recordable incidents, with the target being set above the Business Leaders' Health and Safety Forum to obtain a base line for future targets.

3.0 Due-diligence

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

Due-diligence requires the need for “Officers”:

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



Audits completed by General Managers	5
Health and Safety Training attended by workers (11x courses)	140
Group Committee meetings held	19
Business Leaders' Health and Safety Forum attendance (CE)	3
Safeguard updates distributed	11
Health and Safety Training attended by General Managers	5
Worker Consultation workshops (Bow Tie)	118
Health and Safety Training attended by Elected Members	5

Figure 3: Statistics showing level of due-diligence exercised by Council “Officers”

The Waikato Local Authority Shared Services Health and Safety Working Party arranged Simpson Grierson's Samantha Turner to facilitate a health and safety governance seminar for Elected Members and Chief Executives. Three HCC Elected Members registered to attend.

In addition to the above (figure 3), there have been six external audits conducted at an operational level, with a focus on critical risks. 73 non-compliances were identified, with out of date procedural documentation, inadequate risk management and lack of skill competencies being the primary gaps. The Health and Safety Unit are working with these areas to provide guidance and support in addressing these matters.

Workplace inspections are scheduled to occur throughout the year. Health and Safety Representatives carry out at least one inspection per year. They involve a walk-around of each facility/workplace across council, working through a checklist to identify any uncontrolled hazards, expired certifications and the level of health and safety knowledge held by workers. Representatives completed 22 inspections across Council between July and December, with 32 non-compliances identified. The majority of these related to low-medium risks. All inspections are recorded in Vault, with non-compliances assigned to managers to rectify and close out.

ACC announced that ACC Workplace Safe Management Practice (WSMP) Programme will cease from 2017, with no plans for its replacement as yet. This will result in the loss of the discount received off Council's ACC levies each year (\$25-\$50,000 per annum).

5.0 Looking forward

Following the bow-tie workshops conducted in December, a project will be set up to develop robust processes and governance group to assign sponsors to critical risks, monitor mitigating controls and review.

Following the release of the Asbestos Regulations, Approved Code of Practice for Asbestos Removal and Best Practice Guidelines for asbestos management, a project is to be set up to identify gaps against the new Regulations/applicable WorkSafe NZ requirements and implement any corrective actions.

In line with Council's 'Connected' framework, the Health and Safety team members will continue coaching and influencing to make incremental improvements to HCC's health and safety culture.

Committee: Audit & Risk Committee**Date:** 14 March 2017**Report Name:** Management of swaps and debt**Author:** Tracey Musty

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Investment and Liability Management Policy</i>
Financial status	<i>Not applicable</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To inform Audit and Risk Committee about Council's debt and swap portfolio including the Treasury Management Policy. This report responds to a resolution from the 30 June 2016 Council meeting requesting staff to present a report on this matter.

Recommendation from Management

That the Audit and Risk Committee receives the report.

3. Attachments

- Attachment 1 - Investment and Liability Management Policy

5. Discussion

- Investment and Liability Management Policy
- The management of Council's treasury activity, including swaps and debt, is guided by the Investment and Liability Management Policy (see Attachment 1).
- This policy is required by the Local Government Act 2002 to be adopted by councils and reviewed at least every three years.
- The purpose of the policy is to provide a framework under which Council operates investment and borrowing activities.
- This Council adopted the current policy on 21 May 2015.

11. Key parts of the policy in respect of borrowing are *(the following references are to paragraphs in the policy)*:
- Council's borrowing limits are set *(para. 7.1)*
 - The mechanisms council may use to issue debt are specified *(para. 8.1)*
 - How Council manages interest rate risk is discussed and limits set *(para. 10.1 to 10.7)*
 - How Council manages liquidity risk is discussed and limits set *(para. 11.1 to 11.7)*
 - How Council manages counterparty credit risk is discussed and limits set *(para. 12.1 to 12.5)*.
12. Our policy is consistent with 90% of the local government sector's treasury policies. The approach to interest rate risk management is also consistent.
13. The guidance and limits in the funding and interest rate risk management sections of the policy are designed to prudentially manage risk. This includes providing reasonable certainty of interest costs over the term of the 10-Year Plan and considers the prudential obligations under the Local Government Act to ratepayers in safeguarding inter-generational assets and associated liabilities.
14. Debt
15. At 31 January 2017 Council had borrowed approximately \$339 million from external sources. The table below is a summary of the outstanding debt.

Source	Fixed Rate	Floating Rate	Interest Free	Total
Banks	\$10m	\$68m	-	\$78m
LGFA	-	\$260m	-	\$260m
NZTA	-	-	\$1m	\$1m
	\$10m	\$328m	\$1m	\$339m

16. The Local Government Funding Agency (LGFA) has become the primary source of debt funding as their interest rates are the most competitive in the market and they allow access to long term debt.
17. The NZTA loan is an advanced funding agreement for the completion of Wairere Drive.
18. Borrowing is generally at a floating rate of interest.
19. To meet policy limits, at least 50% of debt needs to be at a fixed interest rate. This is primarily managed through the use of swaps.
20. Swaps
21. Interest rate swaps are agreements to exchange debt for a fixed interest rate over an agreed period of time.
22. Council is generally borrowing at a floating interest rate (see table above) and therefore is primarily entering into swaps to exchange floating rates for fixed rates to meet policy limits and provide certainty of interest costs.
23. Based on Council's 10-Year Plan and projected debt path, approximately 60% of 5 year debt and 25% of 10 year debt will be fixed. This gives high certainty of interest costs.
24. As at 31 January 2017, Council has used swaps to the extent that 93% of debt is at a fixed rate of interest.
25. Unrealised Gains/Losses
26. Accounting standards require that swaps are re-valued each month at current interest rates.
27. Revaluations will result in either an unrealised gain (if interest rates have risen) or an unrealised loss (if interest rates have fallen).
28. The unrealised gains and losses are recorded as an income or expense and the accumulated change in valuation as an asset or liability on Council's balance sheet.

29. These gains or losses will only be realised if a swap contract is terminated.
30. Recently interest rates around the world have been increasing, resulting in Council having \$26.5 million of unrealised net liabilities from interest rate swap revaluations as at 31 January 2017, compared with \$47.5 million of unrealised net liabilities as at 30 June 2016.
31. Chart 1 shows Hamilton City Council's weighted average hedged rate (swaps) alongside 10 other major councils. The weighted average hedged rates range from the lowest of 4.59% to the highest of 5.72% with Hamilton City Council within the lower range at 4.79%.

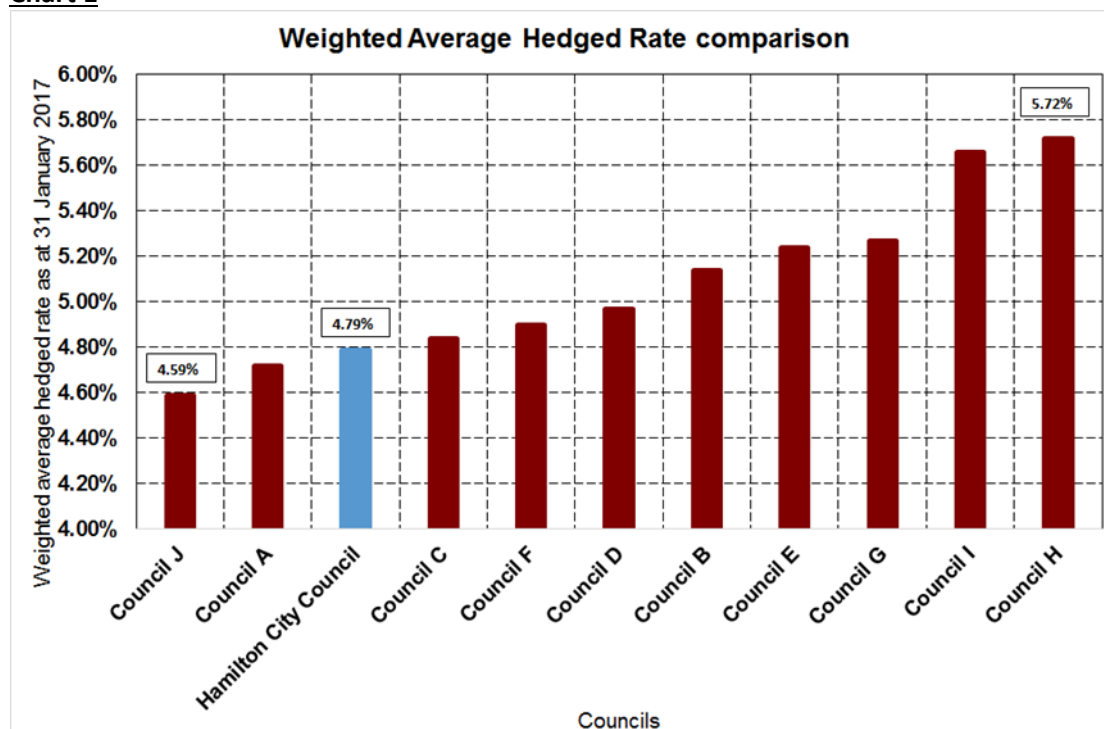
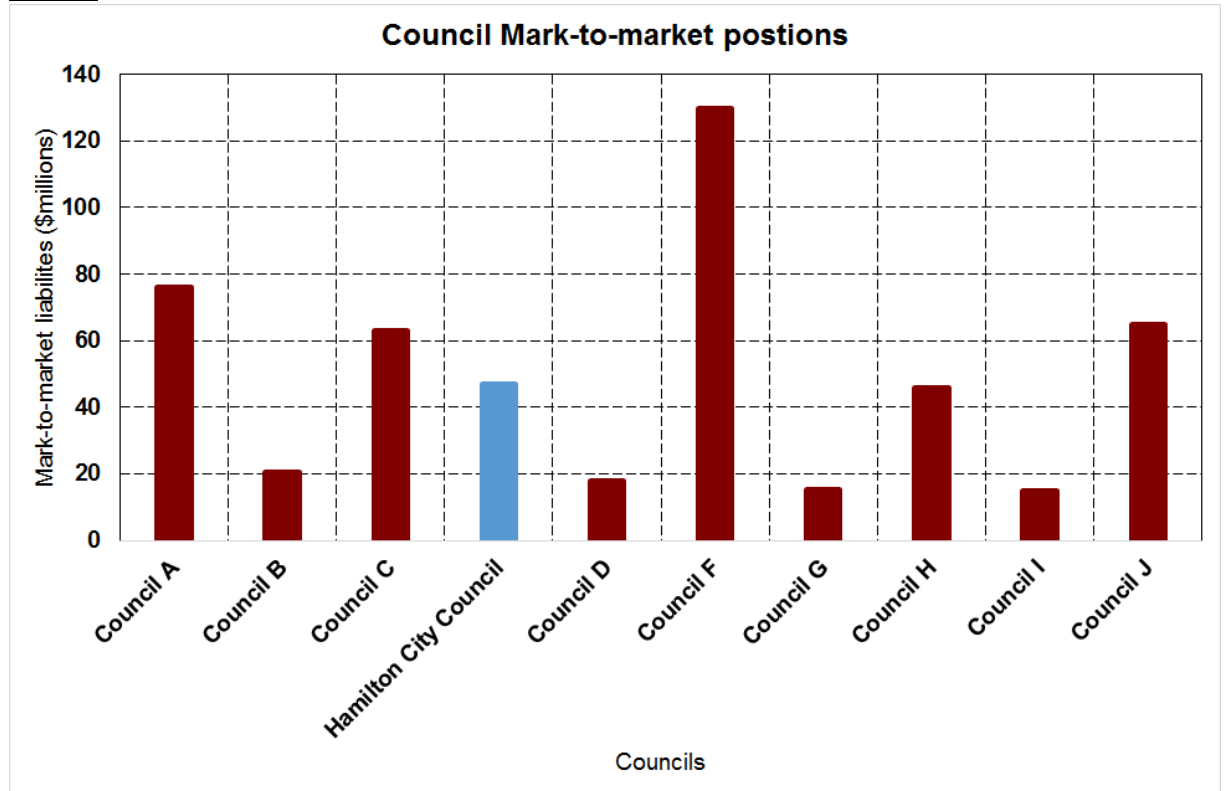
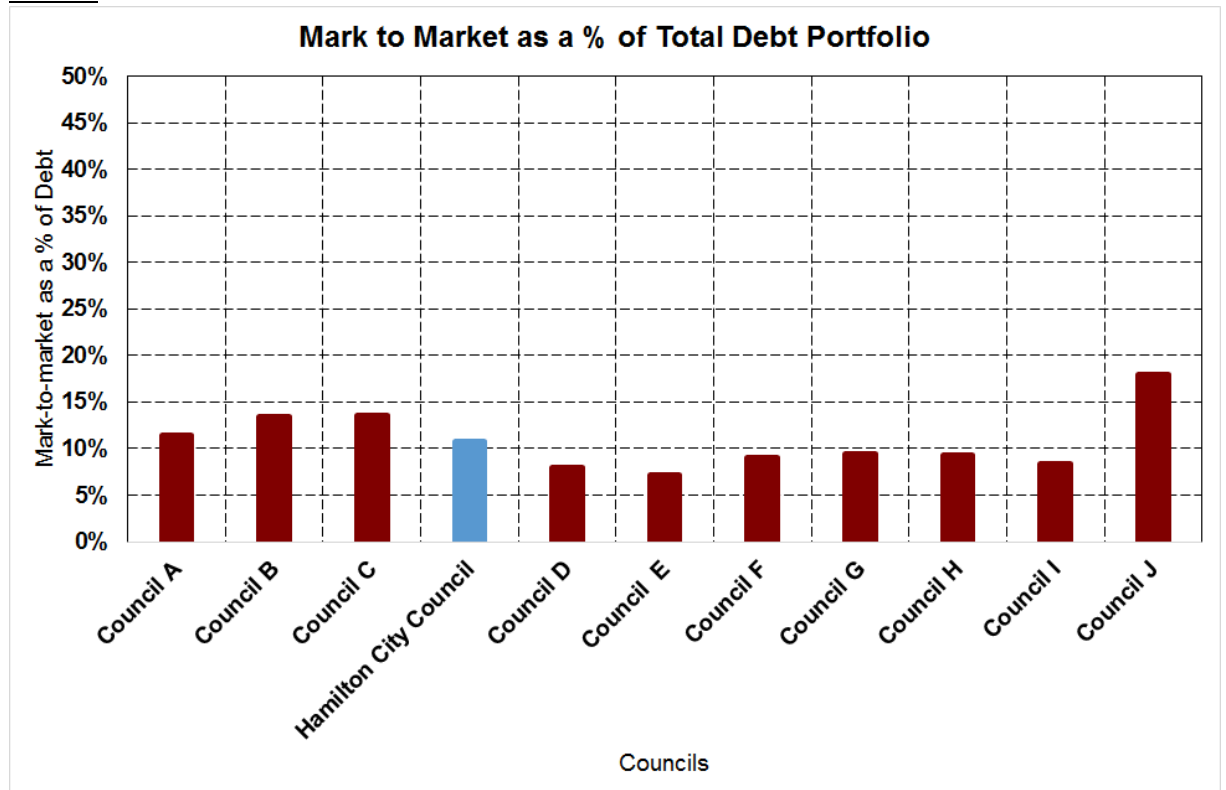
Chart 1

Chart 2 shows the value of unrealised losses alongside the other councils (Council E has been excluded due to the distorting effect that its high liability value of has on the chart).

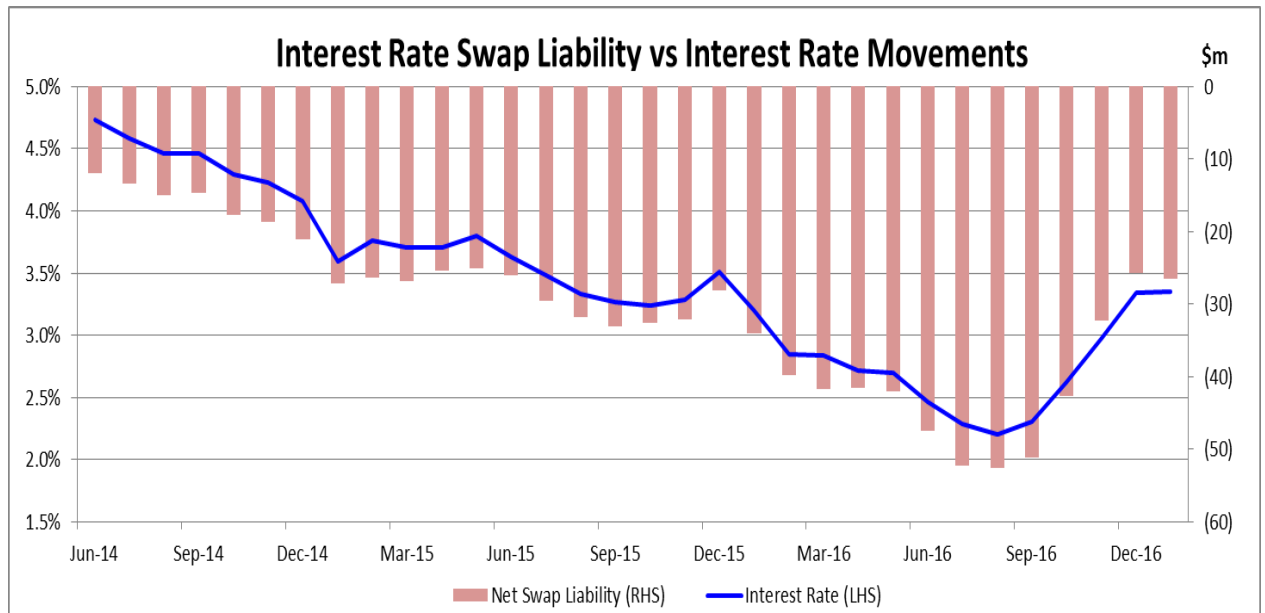
Chart 2

32. Chart 3 shows each of the councils' unrealised liabilities to their total debt as another method to compare the effect of swap revaluations.

Chart 3

33. Chart 4 shows how the movements in interest rates impact Hamilton City Council's swap position in the balance sheet. If the interest rates decrease the liability increases and vice versa. Recent months have seen an increase in interest rates leading to a reduction in liability.

Chart 4



Signatory

Authoriser	David Bryant, General Manager Corporate
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<i>First adopted:</i>	
<i>Revision dates/version:</i>	21 May 2015
<i>Next review date:</i>	By 30 June 2018
<i>Engagement required:</i>	Not required
<i>Document number:</i>	D-1733840
<i>Associated documents:</i>	Treasury Management Policy
<i>Sponsor/Group:</i>	Chief Financial Officer/Finance



INVESTMENT AND LIABILITY MANAGEMENT POLICY

PURPOSE AND SCOPE

It is a requirement of the Local Government Act 2002 for council to adopt an investment policy and a liability management policy. The purpose of the Investment and Liability Management Policy is to provide the framework under which council operates investment and borrowing activities. This policy supports council's financial strategy and Revenue and Financing Policy, and is linked to the Treasury Management Policy which provides more detail for the day-to-day management of the treasury function.

INVESTMENT POLICY

1. Objectives

- 1.1 In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are acceptable. The Council will act effectively and appropriately to:

- Protect the Council's investments.
- Ensure the investments benefit the Council's ratepayers.
- Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

2. Policy

- 2.1 The Council's general policy on investments is that:

- The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic, or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
- The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
- The Council will review its policies on holding investments at least once every three years.

3. Acquisition and Disposal of Investments

- 3.1 With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

- 3.2 The authority to acquire financial investments is delegated to the Chief Financial Officer.
- 3.3 Proceeds from the sale of assets or investments will in the first instance be used to repay outstanding borrowings unless otherwise specifically authorised by Council. The exception to this is in relation to the sale of endowment properties where any surplus cash is held in the Municipal Endowment Fund to be used to reinvest on behalf of the fund. If assets are subject to legislative restrictions, the proceeds are used in accordance with the provisions of the appropriate legislation.
4. **Investment Mix**
- 4.1 **Equity Investments**
- 4.2 Equity investments, including investments held in CCO/CCTO and other shareholdings.
- 4.3 Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the 10-Year Plan. Equity investments may be held where Council considers there to be strategic community value.
- 4.4 Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.
- 4.5 Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring.
- 4.6 Dividends received from CCO's/CCTO's and unlisted companies not controlled by Council are used firstly to repay debt in relation to that investment, and then used to reduce other Council debt unless otherwise directed by Council.
- 4.7 Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then utilised to reduce other council debt. Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.
- 4.8 **New Zealand Local Government Funding Agency Limited Investment**
- 4.9 Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.
- 4.10 The Council's objective in making any such investment will be to:
- Obtain a return on the investment.
 - Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.

- Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

4.11 Property Investments

- 4.12 Council owns property investments for strategic and commercial purposes.
- 4.13 Council reviews ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.
- 4.14 Surpluses generated from property investments are treated as income in the related Council activity.
- 4.15 Property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with the community.
- 4.16 Property purchases are supported by registered valuations and where appropriate a full business case analysis. Council will not purchase properties on a speculative basis.

4.17 Financial investments

- 4.18 Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 12. Credit ratings are monitored and any changes are reported to Council.
- 4.19 Council may invest in approved financial instruments as set out in the Treasury Management Policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
- 4.20 Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:
- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
 - Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into general funds. Interest is paid to reserves from general funds.
 - Financial investments do not include shares.

4.21 Reserve funds

- 4.22 Liquid assets are required to be held against reserve funds.

4.23 Trust funds

- 4.24 Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the Trust. If the Trust's investment policy is not specified then this policy should apply.

4.25 Loan Advances

- 4.26 Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes. New loan advances are by Council resolution only. Council does not lend money, or provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable than those that would apply if Council were borrowing the money or obtaining the financial accommodation.
- 4.27 Advances to charitable trusts, and community organisations do not have to be on a fully commercial basis. Where advances are made to charitable trusts and community organisations at below Council's cost of borrowing, the additional cost is treated as an annual grant to the organisation.
- 4.28 Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

5. Investment management and reporting procedures

- 5.1 Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.
- 5.2 The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting.
- 5.3 Details on the performance of investments are reported to Council, or the appropriate Council Committee, on a regular basis.
- 5.4 Monitoring of equity and property investments involves reviewing quarterly reports, annual reports, strategic plans, and statements of corporate intent. Members of these entities may be invited to attend and present to the appropriate Council Committee.
- 5.5 Monitoring of cash and other investments form part of the regular financial reporting to Council and appropriate Council Committees.

LIABILITY MANAGEMENT POLICY

6. Introduction

- 6.1 Council's liabilities comprise of borrowings (external/internal) and various other liabilities. Council maintains external borrowings in order to:
- Raise specific debt associated with projects and capital expenditures.
 - Fund the balance sheet as a whole, including working capital requirements.
 - Fund assets whose useful lives extend over several generations of ratepayers.
- 6.2 Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the costs are met by those ratepayers benefiting from the investment.

7. Borrowing Limits

- 7.1 Council has set borrowing limits as part of adopting the 10-Year Plan. Council is also required to meet borrowing limits set by the Local Government Funding Agency (LGFA). Debt will be managed within both sets of limits.

Item	Borrowing Limits	
	HCC	LGFA
Total Overall Debt / Total Revenue	<250%	-
Net Debt / Total Revenue	-	<250%
Net Interest on External Debt / Total Revenue	<20%	<20%
Net Interest on External Debt / Annual Rate Income	-	<25%
Total Overall Debt as a multiple of cash flow	<15	-
Liquidity ratio	>110%	>110%

- **Total Revenue for HCC** is defined as total revenue less vested assets, capital subsidies, gains and development contributions.
- **Total Revenue for LGFA** is defined as total revenue less vested assets, gains and development contributions.
- **Total Overall Debt** is defined as total external debt less cash and cash equivalents, plus reserves required to be held in cash.
- **Net Debt** is defined as total external debt less liquid financial assets and investments.
- **Liquidity** is defined as external term debt plus committed bank facilities and liquid investments, divided by current external debt.
- **Net Interest on External Debt** is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- **Annual Rate Income** is total rates including targeted water rates.

- 7.2 Financial covenants are measured on Council only, not the consolidated group.
- 7.3 Disaster recovery requirements are to be met through the liquidity ratio and available debt capacity.

8. Borrowing mechanisms

- 8.1 Council is able to externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, Local Government Funding Agency (LGFA), accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:
- Available terms from banks, LGFA, debt capital markets and loan stock issuance.
 - Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
 - Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.

- The market's outlook on future interest rate movements as well as its own.
- Legal documentation and financial covenants considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

8.2 Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, and financial institutions/brokers.

9. Debt repayment

- 9.1 The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.
- 9.2 Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.
- 9.3 Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

10. Interest rate risk

10.1 Risk recognition

- 10.2 Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the 10-Year Plan or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.
- 10.3 The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

10.4 Interest rate risk control limits

- 10.5 Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's net external debt should be within the following fixed/floating interest rate risk control limit.
- 10.6 Net external debt is defined as total external debt less liquid financial assets and investments. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed
Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	5%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%

10.7 A fixed rate maturity profile that is outside the above limits, but self corrects in less than 90 days is not in breach of this Policy. However, maintaining a maturity profile outside of the above limits beyond 90 days requires specific approval by Council.

- **Fixed Rate** is defined as an interest rate repricing date beyond 3 months.
- **Floating Rate** is defined as an interest rate repricing within 3 months.
- The percentages are calculated on the rolling projected net debt level calculated by management (signed off by the Chief Financial Officer).
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond 12 years must be approved by the Chief Executive through a specific approval.
- Hedging outside the above risk parameters must be approved by Council.

11. Liquidity risk/funding risk

11.1 Risk recognition

11.2 Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future

time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

11.3 The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of Council investment assets.
- Financial market shocks from domestic or global events.

11.4 A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

11.5 Liquidity/funding risk control limits

- External term loans and committed debt facilities together with available liquid investments must be maintained at an amount of 110% over existing external debt.
- Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings.
- The CFO has the discretionary authority to re-finance existing external debt on more favourable terms. Such action is to be reported to the Chief Executive and the appropriate Council Committee at the earliest opportunity.

11.6 The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

11.7 A maturity schedule outside these limits will require specific Council approval.

12. Counterparty credit risk

12.1 Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

- 12.2 Credit risk will be regularly reviewed by the appropriate Council Committee. Treasury related transactions would only be entered into with organisations specifically approved by the Council.
- 12.3 Counterparties and limits can only be approved on the basis of long-term Standard & Poor's (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.
- 12.4 Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.
- 12.5 The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited
Local Government Funding Agency (LGFA)	N/A	Unlimited
NZ Registered Bank	AA- / A-1	75.0
NZ Registered Bank	A / A-1	30.0

REFERENCES

- Section 102 of the Local Government Act 2002

Committee: Audit & Risk Committee**Date:** 14 March 2017**Report Name:** Fitch Credit Rating**Author:** Tracey Musty

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

1. Purpose of the Report

2. To inform the Committee about the Annual Rating Report prepared by FitchRatings based on year ending June 2016.

Recommendation from Management

That the Audit and Risk Committee receives the report.

3. Attachments

4. Attachment 1 - Fitch Credit Rating

5. Discussion

6. FitchRatings is one of the "big three" credit rating agencies that Hamilton City Council uses to complete an independent review of how we are managing financially.
7. The credit ratings that are assigned rate the ability of an organisation to pay back debt by making timely interest payments, and the likelihood of default.
8. The ratings are taken into consideration by lending facilities, to determine the cost of debt being borrowed i.e. higher rating means we are a lower risk to lend money too, which results in lower interest rates.
9. FitchRatings have published the Annual Rating Report for Hamilton City Council which provides us with key indicators of our financial health.
10. Council's credit ratings have been maintained at AA- (long term) and F1+ (short term).
11. FitchRatings compile this report based on an analysis of published reports and plans, national and regional socio economic data, and information provided by Council staff.

12. Council has maintained a long term AA- rating that places us as a high quality investment grade organisation. The short term F1+ rating indicates strong capacity to meet our financial commitments.
13. The key drivers for the rating are Sound Credit Profile, Robust Institutional Framework, Positive Financial and Economic Performance and Visible Capex Requirements.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Hamilton City Council

Full Rating Report

Financial Data

Ratings

Local Currency

Long-Term IDR	AA-
Short-Term IDR	F1+
Senior Secured Debt	AA-

Outlook

Long-Term Local-Currency IDR	Stable
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Hamilton City Council

	30 Jun 16	30 Jun 15
Operating revenue (NZDm)	201.8	193.6
Debt (NZDm)	364.0	396.3
Operating balance/operating revenue (%)	29.73	32.54
Debt service/current revenue (%)	29.43	36.19
Debt/current balance (yrs)	8.9	9.5
Operating balance/interest paid (x)	2.80	2.70
Capital expenditure/total expenditure (%)	25.94	22.44
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	14.18	13.48
Current balance/capital expenditure (%)	57.57	71.53

Related Research

Institutional Framework for New Zealand Subnationals (May 2014)

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Key Rating Drivers

Sound Credit Profile: Hamilton City Council's (HCC) ratings reflect the strong institutional framework for local and regional councils in New Zealand, a positive fiscal performance, strong local economic environment, and council debt levels supported by solid financial flexibility – although weak relative to highly rated international peers (*see Appendix C*).

Robust Institutional Framework: New Zealand's institutional framework for local authorities is an important positive ratings factor for HCC. This is demonstrated by its transparent reporting and financial disclosure, strong controls and supervision, a high level of own-source revenues (rates) with wide rate-setting powers, and limited responsibilities (health and education are provided by the central government).

Positive Financial Performance: HCC produced a current margin of 19.9% in the financial year to end-June 2016 (FY16), according to Fitch Ratings' calculations, and an average of 19.8% over four years to FYE16. This is well above that of international peers, and we believe strong financial management will support the council meeting financial forecasts as outlined in the long-term plan (LTP). This includes current margins above 20% over the four years to FYE20.

Strong Economic Performance: Hamilton is a fast growing, diversified, services-led economy underpinned by large government activity in science, education and health. Other key economic sectors include manufacturing, construction, logistics and technology. The city's population rose 2.5% to around 157,000 in 2015 and its GDP increased 3.7% to NZD7.7bn in FY16. Hamilton's unemployment rate of 6.6% at FYE16 was higher than the national 5.1%, but it is home to around 40,000 tertiary students who skew the unemployment rate upwards.

High Debt: HCC's debt-to-current revenue ratio is weak relative to that of its international peers, but is supported by access to funding from the New Zealand Local Government Funding Authority (LGFA) (AA/Stable), good creditor protection and predictable revenues. Its strong fiscal performance including ongoing surpluses, and a self-imposed net debt/revenue ratio target of below 200% to 2025, caps future increases in debt ratios. However, we believe faster growth rates than planned is likely to keep its debt ratios high relative to peers.

Visible Capex Requirements: We consider the legislative requirement to publish 30-year infrastructure plans supportive for planning capex requirements, and reduces the risk of development of a capex backlog.

Rating Sensitivities

Budgetary Performance: HCC's ratings could come under pressure if its budgetary performance were to deteriorate significantly and unexpectedly with current margins dropping to below 12%. Reduced fiscal flexibility, most likely from a deteriorating economic environment, could affect revenue growth, strand new infrastructure and leave debt ratios above peers.

Current Balance Improvement: Positive ratings action would require HCC to generate sustained high current margins exceeding 25% and have a debt-to-current revenue ratio of below 200%. Due to HCC's high debt, council would need to demonstrate a sustained outperformance in its margins relative to less leveraged peers.

Rating History

Date	Long-Term Foreign IDR	Long-Term Local IDR
29 Oct 15		AA-
30 Oct 14		AA-
13 Dec 13		AA-
1 Nov 13		AA-
14 Nov 12		AA-
18 Nov 11		AA-
15 Jun 11		AA-
9 Jun 10		AA-
31 Jul 09		AA-

Principal Rating Factors

Summary: Strengths and Weaknesses

	Institutional framework	Debt and other liabilities	Economy	Finances	Management and admin.
Status	Strength	Weakness	Strength	Strength	Strength
Trend	Stable	Stable	Stable	Stable	Stable

Source: Fitch

Overall Strengths

- Strong institutional framework
- Robust financial performance
- Predictability of revenues
- Strong economic environment
- Strong debt and liquidity management

Overall Weaknesses

- High debt but good creditor protections

Institutional Framework

New Zealand's institutional framework for local and regional governments (LRGs) is extremely supportive, and has a positive impact on LRG ratings.

The institutional framework strengths are:

- Substantial disclosure including a full accruals-based balance sheet, income and cash-flow statements. A 10-year rolling long-term plan sets out revenue, expenditure and debt projections, and incorporates a 30-year infrastructure plan. Both plans are updated every three years
- Control and supervision by government. The minister for local government can undertake a range of actions, from initiating a review of a local authority in difficulty up to dismissing the council and appointing a commission to take control of the authority. Financial statements and plans are audited by the controller and auditor general, whose job is to check how public money is collected and spent
- Considerable own-source revenue from rates, which represent an average around 60% of total operating revenue for New Zealand local authorities. Rates, although less dynamic, are less susceptible to the economic cycle
- Manageable responsibilities. Resource-consuming mandates, such as healthcare and education, are provided by the central government
- Strong protection for creditors: The local authority can charge any assets to secure borrowings, including property rates, via a debenture.

The institutional framework weaknesses are:

- Lack of fiscal equalisation system. There is no scheme where local authorities that are smaller or have weaker economic profiles can receive a benefit. However, this is largely mitigated by strong financial flexibility and the low correlation between revenue and the local socio-economic profile
- Lack of prudential regulation. There is no prudential regulation scheme that covers areas such as debt and debt-servicing levels. However, there is significant oversight through disclosure of performance against agreed benchmarks and councils have access to a sophisticated Local Government Funding Agency.

Related Criteria

International Local and Regional Governments Rating Criteria: Outside the United States (April 2016)

Debt and Other Long-term Liabilities

Debt

HCC's total direct debt (see *Appendix A*) had declined 8% yoy to NZD364m by FYE16 (FY15: -3%), and was NZD50m below budget as a result of an operating surplus that exceeded its budget, deferred capex and asset sales. The council has demonstrated greater fiscal constraint following a period where debt had grown at a fairly rapid pace – to NZD438m from NZD148m in the seven years to FYE13. Creditors have good protection with debt secured through a debenture trust deed over all rates (excluding NZD18m of commercial paper). Rapid economic growth has increased council's infrastructure requirements, and we believe HCC's debt levels will remain high relative to that of its peers, based on debt projections in its annual and long term plans.

Direct debt as a percentage of current revenue was 178% at FYE16 (FYE15: 202%), and this resulted in a payback ratio (direct debt/current balance) of 8.9 years (FYE15: 9.5). These ratios are weaker than some of the council's similarly rated international peers; but weaker debt ratios are supported by HCC's stronger financial flexibility and highly predictable revenues. HCC is forecasting annual population growth of around 2,000 in its LTP, and expects to maintain relatively high absolute levels of debt over the 10 years to FYE25 to support the additional development required.

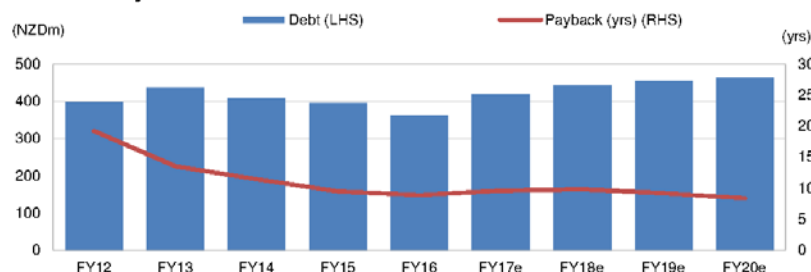
Cash-flow interest-rate risk is managed to limits set out in the council's "investment and liability management policy", and HCC has adopted a mid- to high-point application within these settings. HCC hedges the majority of its floating-rate borrowings, and operates various fixed-rate target ranges for different borrowing maturities. At FYE16, 8% of Hamilton's debt had been issued with fixed-rates; but fixed-rate exposure had been increased after hedging to 92% at FYE16. The council can enter into pre-hedging arrangements for future borrowing requirements to take advantage of current favourable rates, but the amount of fixed-rate cover must comply with policy limits.

HCC uses the New Zealand LGFA as its primary source of debt funding, and NZD230m (63%) of the council's total debt had been raised through the LGFA as of FYE16. The council has traditionally relied more heavily on the major New Zealand banks; however, the LGFA provided better pricing and a longer debt maturity. HCC also has NZD60.5m in undrawn bank facilities that could support liquidity and act as an emergency funding source. The council also uses internal borrowing (FYE16: NZD2.7m) to offset its working-capital and debt-funding requirements. Hamilton has no exposure to foreign currency and, therefore, no outstanding foreign-exchange risk. No local councils in New Zealand, except Auckland, can borrow in foreign currency.

Hamilton had NZD0.9m of current and non-current lease liabilities for plant and equipment. The interest expense associated with the leases is included under interest expense. Fitch has classified the leases as "Other Fitch classified debt" in *Appendix A*, and included in the council's direct-risk position.

The council's debt projections from FYE17 are based upon its 2015-2025 10-year plan and FY17 annual plan (see "Debt and Payback" chart). However, some significant decisions, including a potential transfer of the sewerage and water assets to a joint venture entity (with two other councils), and the further acceleration of capex to support higher growth could result in direct debt levels that differ from current plans. A joint venture could lower direct debt if it was transferred into a public sector entity, or increased capex could increase direct debt levels.

Debt and Payback



Source: Hamilton City Council, Fitch calculations

Liquidity

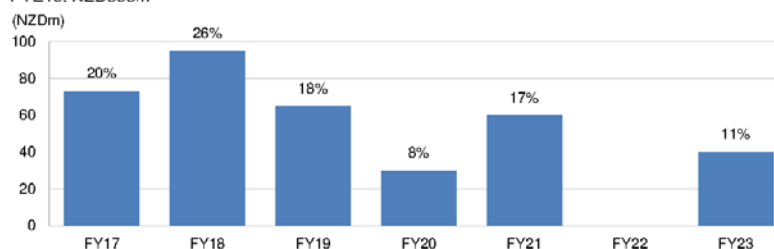
HCC's on-balance sheet liquidity has strengthened in recent years through the holding of higher levels of cash (including term deposits), although the council also uses its NZD60m undrawn committed facility to support its targeted liquidity ratios. Cash and cash equivalents fell to NZD7m (FYE15: NZD57m), while term deposits (greater than three months but less than twelve months) increased to NZD41m (FYE15: NZD5m). Together these covered 66% of debt maturing within the following 12 months. Cash holdings and term deposits are placed mainly among domestic banks with minimum ratings of 'AA-', although up to 30% can be placed with banks with a minimum rating of 'A'.

HCC targets a liquidity ratio in excess of 110%, and defines the ratio as external debt plus committed bank facilities (less commercial paper) plus liquid investments, divided by current external debt. Calculated this way Hamilton's liquidity ratio was 128% at FYE16. To manage liquidity risk, the council also has the ability to pre-fund up to 18 months' forecast debt requirements, including re-financings.

The LGFA has been able to provide longer debt maturities, and this has strengthened the maturity profile of HCC's debt. Fitch calculates an average debt maturity of around 2.7 years with 20% maturing within 12 months (based on contractual cash flows) at FYE16, down from its peak of 43% in FYE11 (FYE14: 19%).

Hamilton: Maturity Profile of Outstanding Debt

FYE16: NZD363m



Note: Excludes NZD1m advance funding from the New Zealand Transport Authority

Source: Hamilton City Council

Contingent Liabilities

HCC is one of 30 local authority shareholders and 13 local authority guarantors of LGFA, and held uncalled share capital of NZD1.866m at FYE16. When aggregated with the uncalled capital of the other shareholders, this provides NZD20m of available funds in the event of an imminent default. The council is a guarantor of all LGFA borrowings (along with the other shareholders and guarantors) which totalled NZD6.2bn at FYE16, but a reliable fair value amount is not recognised, and in Fitch's view that an LGFA default on repayments is unlikely.

HCC owns Innovation Waikato Ltd (IWL), which was given to the council in 2013 and promotes research, development and commercialisation of products and technologies by entities or individuals. IWL owns two commercially tenanted properties and made a profit after tax of NZD902,000 in FY16. IWL had debt of NZD27.5m at FYE16 which is not guaranteed by council but is included as 'net indirect debt' in [Appendix A](#).

Hamilton held a 50% equity stake in Waikato Regional Airport Limited (WRAL) at FYE16 (four other smaller local councils held the remaining 50%). The council views this as a strategic investment to support the city's infrastructure and provided NZD585,000 in funding during FY16 under a service agreement. In FY16 WRAL made a net surplus after tax of NZD336,000.

Hamilton also has minority stakes in various companies, which it owns along with other New Zealand councils (although these are small and require minimal funding). The council has board representatives on all companies in which it holds a majority stake, and must use the cash from any sale to reduce outstanding debt. There were no outstanding loans from the council to these companies at FYE16.

Economy

Hamilton is located on New Zealand's North Island, about 130km south of Auckland. Auckland is the largest urban area in the country, with around 1.6 million inhabitants (34% of New Zealand's total population), and Hamilton is New Zealand's fourth-largest city with a population of around 156,840 (3.4% of the total population) in 2015.

Hamilton's annual GDP increased by a strong 3.6% (New Zealand: 2.7%) to NZD7.7bn in FY16, and accounts for around 3.4% of New Zealand's GDP. It is a services-led economy underpinned by large government activity in science, education and health, other key economic sectors include manufacturing, construction, logistics, agritech, IT and technology. The city is also a key service hub in a large agricultural (mainly dairy) region. The key GDP contributors are manufacturing (12%), health care and social assistance (11%), and professional, scientific and technical services (7%). Hamilton accounted for 3.7% of New Zealand's exports in 2015. Education, and research and development are important parts of the economy with around 17% of Hamilton's population holding a degree or post-graduate qualification, and the city is home to around 40,000 tertiary education students.

Hamilton's location and proximity to international ports in Auckland and Tauranga support growth in the freight and logistics sector. The area between these three cities accounts for around two-thirds of all freight in New Zealand, and a privately funded NZD3.3bn (estimated) inland port is expected to begin construction in late 2016 on the outskirts of the city.

Hamilton's population size expanded 2.5% (New Zealand: 1.9%) in 2015, and its unemployment rate had declined to 6.6% yoy as of end-June 2015, from 7.2%. The city predicts that total population will increase by 80,000 (52%) in the 30 years to 2046. The unemployment rate was above the national figure of 5.1% as of end-June 2016, which would appear to be the result of a higher youth population. The number of people receiving jobseeker support rose 7.7% in FY16, compared with a decline of 0.8% nationally.

HCC sets rates based on the city's capital value (currently transitioning from a land value basis); and in the LTP is targeting total rates to remain below 0.627% of the city's rateable capital value. Growth in the number of consents for new residential and non-residential buildings creates a larger rateable base for the city, and was stronger than national growth rates during FY16. In FY16, new residential building consents increased by 33% (New Zealand 16%) and non-residential consents increased by 20% (New Zealand: 15%). Residential consents numbered 269 in the June 2016 quarter, and had averaged 205 over the last 10 years. Non-residential consents totalled NZD182m in FY16, slightly below the 10-year average of NZD184m.

- Fitch has used Hamilton's revenue and expense figures as reported on an accruals basis. Previously cash-flow information was used for the financial information presented in *Appendix A and B*.
- Depreciation has been replaced by cash-flow purchases of intangible and tangible assets to calculate capital expenditure.
- Cash-flow proceeds from the sale of tangible assets are included as capital revenue.

Finances

Current Revenue

Hamilton derives considerable financial flexibility from its ability to decide how to deploy most of its operating revenue. The largest contributor to operating revenue is from rates (general and targeted) – 73% in FY16 (54% of total revenue) – and these are planned to increase on average by 3.8% (including inflation) per annum through the remainder of the 2015-2025 LTP.

Population growth will help support higher rate revenue, and the LTP has factored in an expected growth rate of around 2,000 people annually over the 10-year period (13% growth) which should lead to growth in the tax base. Rate increases and forward estimates of growth are reviewed every three years when a new LTP is produced. The other source of (Fitch-defined) operating revenue is derived from fees, rents and charges. The council again has flexibility in setting these, and has targeted higher charges (in addition to efficiencies) to achieve its desired operating surpluses.

Current Expenditure

HCC had current expenditure of NZD163m in FY16 (up from NZD154m in FY15), based on our calculations, of which 87% was operating expenses and 13% finance costs. Employee costs were NZD2m lower at NZD64m in FY16 and made up 45% of total operating expenses. The council incurred higher grant expenses and provisions for closed landfills in FY16. These caused operating expenses to increase by NZD11m (8%) over the year although operational efficiencies have held increases to a modest 2% annually, over the four years to FYE16. Operational efficiencies have been implemented across various expense segments, and management continues to explore cost efficiencies – and in particular in the area of shared services. The council is exploring whether combining the management of water infrastructure across three councils would be a viable option.

Its finance costs had declined 8% to NZD22m in FY16, and have been more modest despite improvements in funding costs due to the hedging of its floating-rate exposures.

Capital Revenue

HCC's capital revenue rose by NZD19m (34%) in FY16, and includes vested land and infrastructure from property development, cash received from asset (non-investment) sales, development and other financial contributions, and grant income (mainly the capital component of grants from the New Zealand Transport Authority). Asset sales (including investment assets) are discussed in the LTP, but are not factored into financial forecasts, and have enabled Hamilton to reduce its debt balance more than forecast. Development and other financial contributions were also higher than expected and contributed 9% of total revenue, on a higher-than-expected level of local development. Vested land and infrastructure increased 73% to NZD34m (13% of total revenues) and reflect a higher level of developments being completed in the city. Grant income has traditionally been a relatively small proportion of the council's total revenue, contributing 4% in FY16, of which around half was capital revenue.

Capital Expense

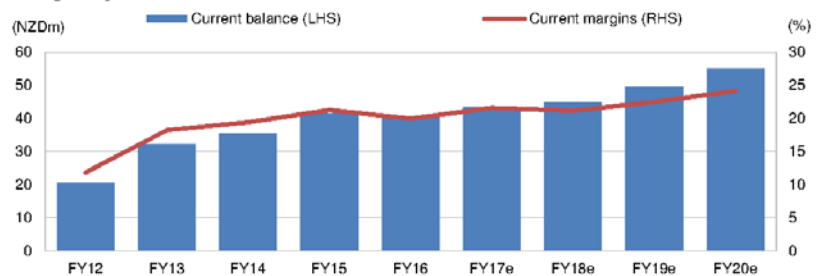
Capex (based on cash-flow purchases of intangible assets, property, plant and equipment) increased by NZD11m to NZD69m in FY16, and was higher than the four-year average to FYE16 of NZD64m. Capex is likely to rise to NZD84m on average over the four years to FYE20 as HCC brings forward projects scheduled for later in the LTP to meet faster-than-expected growth.

The 30-year infrastructure plan helps mitigate the risk of a build-up in capital projects from deferring capex. HCC was an early adopter of this legislation, which requires councils to think past the 10-year planning process, and has created a more robust and transparent framework in which to determine the useful life and depreciation of very long-term infrastructure assets.

Budgetary Performance

HCC's current margin (current balance/current revenue) fell to 19.9% in FY16, from 21.2% in FY15, as a result of higher-than-expected grant and provisioning costs. Its longer-term trend remains positive with financial flexibility supported by a highly predictable revenue stream and firm cost control. The council's strong financial flexibility and a proven ability to meet financial targets support our belief that its forecasts are achievable. Fitch believes Hamilton is capable of strengthening its current margin to 24.1% by FYE20.

Budgetary Performance



Source: Hamilton City Council, Fitch calculations

Management and Administration

HCC's elected officials include a mayor and 12 city councillors. Local government elections are held every three years (the most recent being in October 2016). HCC has a chief executive officer appointed by the council, but whose tenure at five years is longer than the political cycle. Under the current CEO, changes have been made to the management structure to support a well-articulated strategic vision focused on driving greater efficiencies throughout the council's operations.

A key component of the strategy is improving efficiency through the greater use of shared services, and this will complement work undertaken through Local Authority Shared Services Ltd (LASS). LASS was created in 2005 by 12 local councils to improve the level and quality of services, and reduce the cost of providing those services. In July 2015, HCC agreed in principle to support formation of a joint venture with two other councils to own and manage sewerage and water infrastructure assets. In July 2016, a record of agreement was signed outlining how the joint venture would be structured and governed but is still awaiting final agreement. This could drive further efficiencies but awaits final agreement.

HCC, like all councils in New Zealand, is required to produce a 10-year LTP (and from 2015 included in the LTP a summary of the 30-year infrastructure plan) which is audited by the New Zealand Auditor General and goes through a public consultation. For the council to make major changes to these plans, they must go through another public consultation. The council also publishes an annual plan that outlines the budget for the coming financial year. Actual financial performance has recently tracked well to the budget.

It is a requirement of the Local Government Act 2002 for councils to adopt an investment policy and a liability management policy. These provide a public framework under which council must operate and include borrowing and liquidity limits, allowable borrowing mechanisms, investment and counterparty limits, and exposure limits to interest-rate risk.

Appendix A

Hamilton City Council					
(NZDm)	2012	2013	2014	2015	2016
Taxes	114.1	115.1	120.2	126.1	132.5
Transfers received	4.2	3.3	4.6	5.2	5.0
Fees, fines and other operating revenue	54.4	58.1	57.2	62.3	64.3
Operating revenue	172.7	176.5	182.0	193.6	201.8
Operating expenditure	-130.8	-121.6	-124.3	-130.6	-141.8
Operating balance	41.9	54.9	57.7	63.0	60.0
Financial revenue	1.7	1.1	1.3	2.3	2.4
Interest paid	-23.0	-23.5	-23.3	-23.6	-21.7
Current balance	20.6	32.5	35.7	41.7	40.7
Capital revenue	46.1	35.5	60.4	49.7	68.7
Capital expenditure	-75.8	-63.5	-64.7	-58.3	-70.7
Capital balance	-29.7	-28.0	-4.3	-8.6	-2.0
Surplus (deficit) before debt variation	-9.1	4.5	31.4	33.1	38.7
New borrowing	31.3	64.0	60.8	35.8	6.0
Debt repayment	-24.9	-24.0	-90.8	-47.3	-38.4
Net debt movement	6.4	40.0	-30.0	-11.5	-32.4
Overall results	-2.7	44.5	1.4	21.6	6.3
Debt					
Short-term	84.5	110.2	76.0	56.0	73.0
Long-term	313.4	328.0	332.0	340.3	291.0
Direct debt	397.9	438.2	408.0	396.3	364.0
+ Other Fitch classified debt - Pre-financing	1.2	0.7	0.9	1.1	0.9
Direct risk	399.1	438.9	408.9	397.4	364.9
- Cash, liquid deposits, sinking fund	26.2	49.8	43.0	57.3	7.0
Net direct risk	372.9	389.1	365.9	340.1	357.9
Guarantees and other contingent liabilities	5.4	7.1	7.5	7.8	2.4
Net indirect debt (public sector entities exc. gteed amount)	-	-	15.1	16.0	25.7
Net overall risk	378.3	396.2	388.5	363.9	386.0
Memo for direct debt					
% in foreign currency	0.0	0.0	0.0	0.0	-
% issued debt	-	-	-	-	-
% fixed interest rate debt	13.4	11.5	9.8	10.1	7.7

Source: Issuer and Fitch calculations

Appendix B

Hamilton City Council

	2012	2013	2014	2015	2016
Fiscal performance ratios					
Operating balance/operating revenue (%)	24.26	31.1	31.7	32.54	29.73
Current balance/current revenue ^a (%)	11.81	18.3	19.48	21.29	19.93
Surplus (deficit) before debt variation/total revenue ^b (%)	-4.13	2.11	12.88	13.48	14.18
Overall results/total revenue (%)	-1.22	20.88	0.57	8.79	2.31
Operating revenue growth (annual % change)	n.a.	2.2	3.12	6.37	4.24
Operating expenditure growth (annual % change)	n.a.	-7.03	2.22	5.07	8.58
Current balance growth (annual % change)	n.a.	57.77	9.85	16.81	-2.4
Debt ratios					
Direct debt growth (annual % change)	n.a.	10.13	-6.89	-2.87	-8.15
Interest paid/operating revenue (%)	13.32	13.31	12.8	12.19	10.75
Operating balance/interest paid (x)	1.8	2.3	2.5	2.7	2.8
Direct debt servicing/current revenue (%)	27.47	26.75	62.25	36.19	29.43
Direct debt servicing/operating balance (%)	114.32	86.52	197.75	112.54	100.17
Direct debt/current revenue (%)	228.15	246.73	222.59	202.3	178.26
Direct risk/current revenue (%)	228.84	247.13	223.08	202.86	178.7
Direct debt/current balance (yrs)	19.3	13.5	11.4	9.5	8.9
Net overall risk/current revenue (%)	216.92	223.09	211.95	185.76	189.03
Direct risk/current balance (yrs)	19.4	13.5	11.5	9.5	9
Direct debt/GDP (%)	5.74	6.29	5.73	5.34	4.7
Direct debt per capita (local currency)	2,688	2,921	2,667	2,524	2,275
Revenue ratios					
Operating revenue/budget operating revenue (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Tax revenue/operating revenue (%)	66.07	65.21	66.04	65.13	65.66
Modifiable tax revenue/total tax revenue (%)	100	100	100	100	100
Current transfers received/operating revenue (%)	2.43	1.87	2.53	2.69	2.48
Operating revenue/total revenue ^b (%)	78.32	82.82	74.68	78.83	73.95
Total revenue ^b per capita (local currency)	1,490	1,421	1,593	1,564	1,706
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Staff expenditure/operating expenditure (%)	41.97	44.82	46.02	50.46	45.2
Current transfer made/operating expenditure (%)	-	-	1.45	1.68	5.01
Capital expenditure/budget capital expenditure (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Capital expenditure/total expenditure (%)	29.78	27.3	21.35	22.44	25.94
Capital expenditure/local GDP (%)	1.09	0.91	0.91	0.79	0.91
Total expenditure per capita (local currency)	1,720	1,551	1,981	1,655	1,704
Capital expenditure financing					
Current balance/capital expenditure (%)	27.18	51.18	55.18	71.53	57.57
Capital revenue/capital expenditure (%)	60.82	55.91	93.35	85.25	97.17
Net debt movement/capital expenditure (%)	8.44	62.99	-46.37	-19.73	-45.83

n.a.: Not available

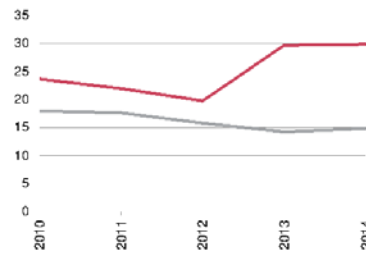
^a Includes financial revenue^b Excluding new borrowing

Source: Issuer and Fitch calculations

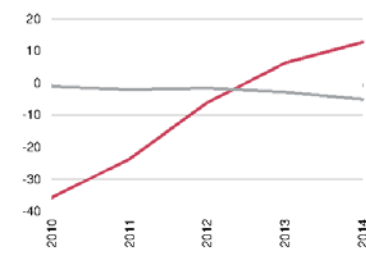
Appendix C
Hamilton City Council

Peer Comparison

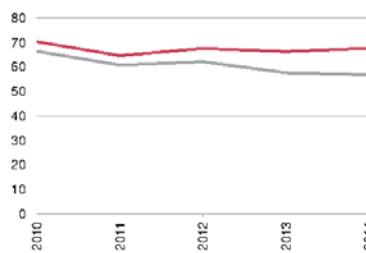
Operating Balance
% Operating revenue



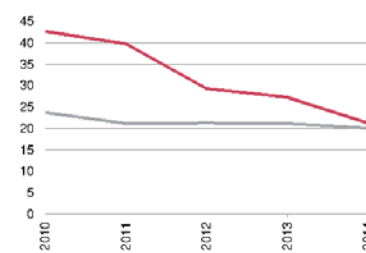
Surplus (Deficit)
% Total revenue



Taxes
% Operating revenue



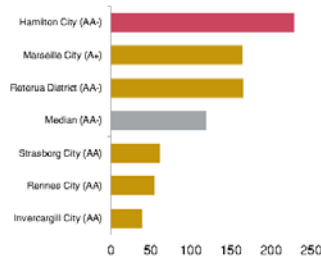
Capital Expenditure
% Total expenditure



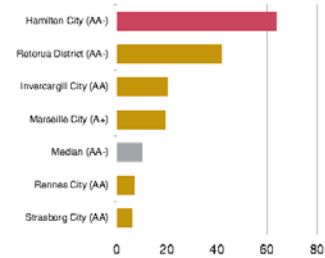
— Hamilton City Council

— AA- Peer Group Median

Debt
To current revenue (%) 2014



Debt Servicing
To current revenue (%) 2014



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Committee: Audit & Risk Committee

Date: 14 March 2017

Report Name: Annual Report 2017 Planning Update

Author: Tracey Musty

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Annual Report Plan</i>
Financial status	<i>Not applicable.</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To inform the Audit and Risk Committee on the plan and timetable for the 2017 Annual Report.

3. Discussion

- Council is currently planning for the preparation of the 2017 Annual Report.
- We are working with the Council Controlled Organisations (CCOs) to ensure timely information is produced.
- An annual reporting timetable has been prepared (Attachment 1) to ensure timely and quality information for the Audit process.
- Once received, we will work through the content and areas of focus outlined in the Audit Arrangements letter.
- Attached is the Audit plan for the year ending June 2017 from Audit New Zealand.
- It includes the areas of audit focus, the logistics of completing the audit and the communication objectives.
- It also sets out expectations on the Role of Audit New Zealand and the Council to ensure there is an agreed approach to completing the audit in a timely manner.

Recommendation from Management

That the Audit and Risk Committee receive the report.

11. Attachments

12. Attachment 1 - HCC Audit NZ Audit Plan 2017

Signatory

Authoriser	David Bryant, General Manager Corporate
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Hamilton City Council

Audit planning for the year ending 30 June 2017

Areas of audit focus

We have some thoughts about what areas we need to be focusing on as part of our audit. Do these align with the Audit & Risk Committee's views?

Significant areas of audit focus:

- Fair value assessments and revaluation of property, plant and equipment.
- Capitalisation of work-in-progress and vested assets.
- Impact of growth on service delivery and infrastructure.

Other areas of focus:

- Housing infrastructure fund.
- Potential waters CCO.
- Founders Theatre.
- Conflicts of interest.

Next steps

- Input from others into our risk identification and assessment process:
 - Audit & Risk Committee (A&RC); and
 - Chief Executive and senior management.
- Audit Arrangements Letter (AAL) will be drafted and provided for review and comment to the Financial Controller in the first instance.
- Final AAL to be presented to A&RC for the next meeting for consideration.
- Audit Proposal Letter (fees) and Audit Engagements Letter (contract) will be drafted and provided for review and comment to the Financial Controller in the first instance.

Hamilton City Council

Audit planning for the year ending 30 June 2017

Audit logistics (provisional)

Audit team:

- Leon Pieterse (Director), Jared Williams (Manager) and Liz Tuck (Supervisor).

Provisional dates (being confirmed with management):

- Interim Audit: May and June 2017.
- Interim Management Report:
 - draft to management on 30 June 2017; and
 - finalised by 14 July 2017.
- Final Audit: 7 August 2017 – 25 August 2017.
- Verbal Audit Clearance (subject to?): 4 September 2017 (A&RC meeting scheduled 5 September 2017).
- Audit Report: 21 September 2017 (Council Meeting).
- Management Report:
 - draft to management 8 September 2017; and
 - finalised 21 September 2017.

Role of the Council

From an audit perspective (per our Engagement Letter) regarding the Annual Audit process:

- Prepare the Annual Report to comply with legislation and accounting standards.
- Internal controls to prevent material misstatement through error or fraud.
- Provide us with “ready to audit” information and access to complete our audit.

Hamilton City Council

Audit planning for the year ending 30 June 2017

Role of Audit New Zealand

- We are responsible for expressing an independent opinion on the financial statements and non-financial performance information prepared by HCC.
- We assess whether the financial statements and non-financial performance information comply with generally accepted accounting practice and fairly reflect HCC's performance and position.

Scope of our annual audit

- The scope of our annual audit includes:
 - the financial statements and non-financial performance information; and
 - HCC's compliance with legislation that we consider to be relevant and material to our audit role.
- We are also required to maintain awareness for issues of efficiency and effectiveness, waste and a lack of probity or financial prudence.

Audit risk

- Our audit approach is risk based.
- In the context of a public sector audit, audit risk is wider than simply expressing an incorrect opinion on the financial statements and/or performance reporting.
- Risks include:
 - risks/issues that could impact on the financial statements and/or performance reporting;
 - legislative compliance issues; and
 - issues of efficiency and effectiveness, waste and a lack of probity or financial prudence.

Hamilton City Council

Audit planning for the year ending 30 June 2017

For your consideration

We will formally request Council's:

- assessment of fraud risk processes;
- monitoring of management's fraud prevention responsibilities;
- view of the culture of honesty and ethical behaviour by management; and
- assessment of the potential for management override of controls for preventing and detecting fraud.

Please remember to inform us if you become aware of any actual or suspected frauds.

OAG multi-year programme

Just for your information, the OAG's multi-year focus areas:

- Service delivery (2013/14).
- Governance and Accountability (2014/15).
- Investment and Asset Management (2015/16).
- Information (2016/17).
- Water (2017/18).

Committee: Audit & Risk Committee

Date: 14 March 2017

Report Name: 2016 Final Audit New Zealand
Management Report

Author: Tracey Musty

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Not applicable</i>
Financial status	<i>Not applicable</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance.</i>

1. Purpose of the Report

- To inform the Committee of the final Audit New Zealand Management Report for the year ended June 2016.

Recommendation from Management

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

3. Attachments

- Attachment 1 - Audit NZ Final Management Report 2016/17

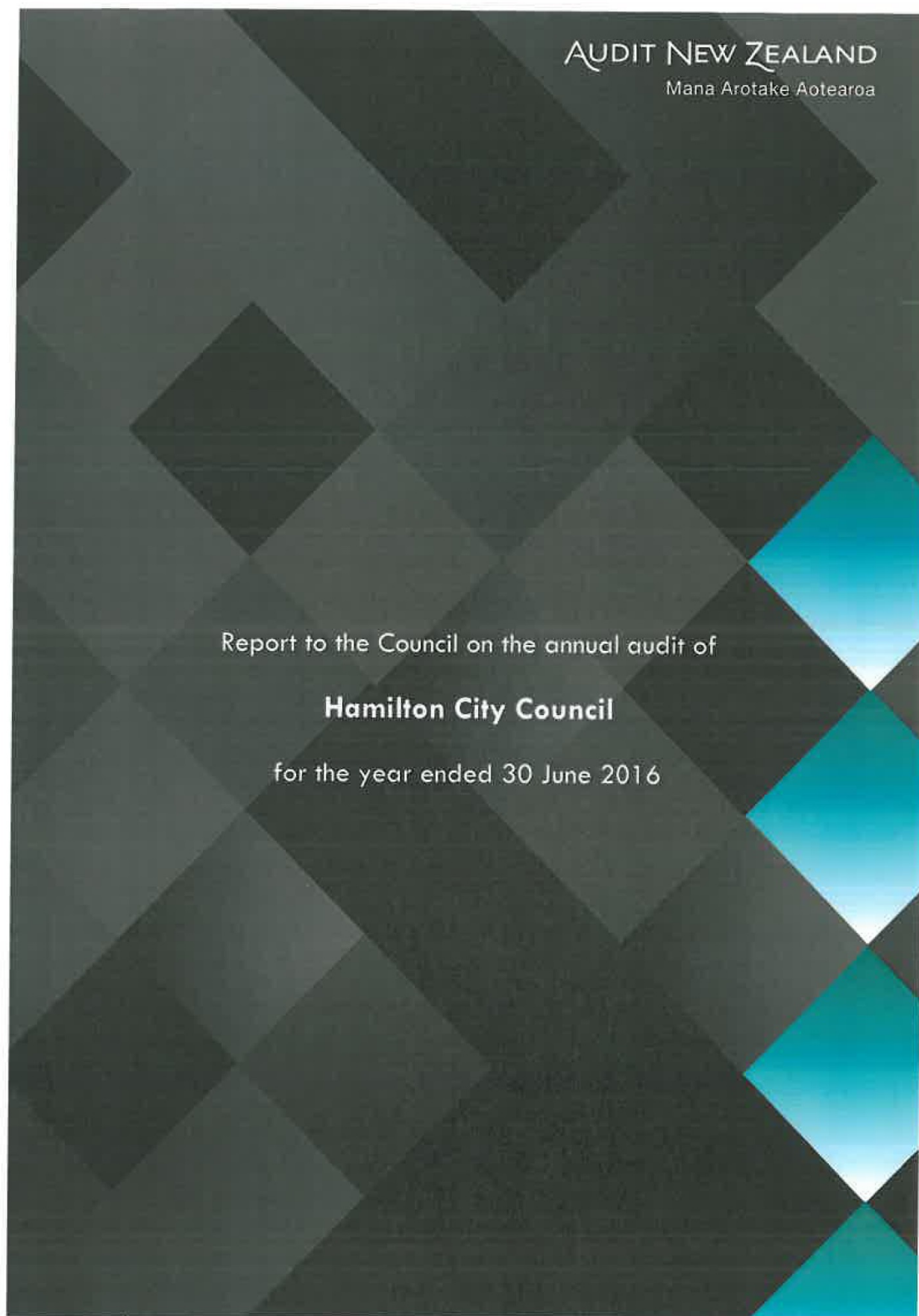
5. Discussion

- An audit of Council's Annual Report is carried out each year by Audit New Zealand.
- Attached is the completed audit report for the year ended 30 June 2016 which incorporates the findings from the interim audit in April and June 2016 and the final audit in August 2016.
- The Annual Report was presented to Council at the 29th September 2016 meeting.
- Key findings included:**
- Non-financial performance information
- Audit NZ have recommended that staff are reminded of the importance of filling in correct information on work orders and that these work orders should be regularly and independently reviewed.

12. This issue will be addressed through the introduction of the electronic work-order system. Training has also been provided to staff on the issues noted.
13. Completeness of calls and service requests
14. Audit New Zealand has indicated that improvements can be made to linking customer calls and service requests. This will then give assurance that all calls have been captured correctly.
15. There is currently a limitation to achieving this as per the recommendation. This issue will be investigated when the Customer Services systems are upgraded. We are comfortable that staff have been adequately trained and that the services requests are being actively monitored by the asset teams.
16. Overpayment of a redundancy payment
17. Audit New Zealand noted during their review that an overpayment had been made as part of a voluntary redundancy payment. Their recommendation is that all payments are independently reviewed before the employee is notified of their exit payment.
18. This error had been noted by Payroll prior to processing; however People and Culture had already informed the employee of the amount of their exit payment.
19. The calculations are now being prepared by Payroll and are reviewed before processing.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Key messages

We have completed the audit for the year ended 30 June 2016 and intend on issuing an unmodified audit opinion on 29 September 2016. This report sets out our findings from the audit and draws attention to areas where Hamilton City Council (the City Council) is doing well or where we have made recommendations for improvement. This report should be read in conjunction with our interim management report issued on 6 September 2016.

The City Council continues to manage growth in the city to ensure revenue and debt is balanced. The City Council has ended the 2015/16 year with an \$11 million surplus and 170% debt to revenue ratio which was achieved primarily by:

- the sale of pensioner housing in March 2016 for \$23.5 million;
- an increase in development contributions due to the greater than budgeted for growth in the city; and
- an increase in vested assets that was driven by higher growth.

During the financial year, the City Council approved the sale of the Pensioner Housing for \$23.5 million to Accessible Properties. We confirmed that the disposal and corresponding loss on sale of has been correctly reflected in the financial statements.

We reviewed the revaluation of land, buildings, water, wastewater and stormwater assets this year and concluded the valuation adjustments were correctly accounted for. We are also comfortable that the carrying value of the remaining assets are not materially different from their fair values.

Although the timeliness of capitalisation of work in progress completed has been improved, we still noted issues.

This year, the City Council has included in its service performance information the new Department of Internal Affairs' mandatory performance measures. We concluded that all material measures selected are fairly stated in financial statements and are consistent with the performance measure standards.

A valuation was performed over the Innovation Waikato Limited group by Crowe Horwath. We are satisfied the impairment recognised is reasonable based on the assumptions used to forecast the value of the business unit.

This report and our interim report include a number of recommendations to improve the City Council's control environment. The control environment is important to ensuring Council's resources are properly and efficiently managed. It is also important in ensuring management and Council identify and manage key risks.

The following table summarise our key recommendations made during our final audit and their priority. There is an explanation of the ranking system in Appendix 1.

Section	Recommendation	Priority
2.2.2	Non-financial performance information Staff be reminded of the importance of filling in the start time, resolution time and completed time on work orders. Independent reviews should cover reviewing for negative numbers, data with no start time or resolution time or completed time and checking work orders that have defaulted to 12 a.m. for the start and end time.	Necessary
2.2.3	Completeness of calls and service requests Improvements could be made to linkages between the customer calls and service requests generated so a reconciliation can be performed to give assurance that all calls have been captured for each performance measure.	Necessary
3.1	Overpayment of a redundancy payment All redundancy payments are independently reviewed before the employee is notified of their exit payment. This will reduce the risk of Council overpaying employees.	Necessary

Thank you

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



Leon Pieterse
Audit Director
7 October 2016

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1 Our audit opinion

1.1 We intend to issue an unmodified audit opinion

We intend to issue an unmodified audit opinion on 29 September 2016 on receipt of representation from the Council and adoption of the Annual Report. This means that we are satisfied that the financial statements and statement of service performance fairly reflected Hamilton City Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There were no significant misstatements identified during the audit that have not been corrected.

2 Areas of audit focus

As part of our planning for this audit, we identified what we considered to be the areas for our audit focus. These were described in our audit arrangements letter (AAL) dated 29 April 2016 along with our intended audit response. Any particular findings and recommendations in relation to these areas, as well as additional matters found during the audit, are discussed in this section of the report.

2.1 Plant, property and equipment

2.1.1 Work in progress

Significant effort has been put in to improve asset management practices at the City Council. An Asset Management Centre of Excellence has been established and this team has been driving a number of improvements. An Asset Management Organisational Improvement Programme has also been implemented which draws on the recommendations that were raised in previous management reports. This includes improvements of processes to ensure that work-in-progress for capital projects are better monitored and recorded timely. Additional staff were contracted to help with data entry. There has also been a complete change in culture at the organisation around the visibility of the work in progress (WIP) and the importance of reducing the WIP balance.

At 30 June 2016, there was a total of \$67.5 million worth of projects included in work in progress. \$8.3 million of the projects have been included in additions for the year as the projects have been completed. These projects have not been capitalised in the fixed asset register. The remaining \$59.2 million (\$55.5 million plant, property and equipment and \$3.7 million intangible assets) are projects that are still work in progress. We assessed the expected depreciation error of the projects not being capitalised in a timely manner and noted the variance was not material.

Refer to Appendix 2 for the recommendation raised in prior year.

2.1.2 Timely capitalisation of vested assets

There are a number of vested assets in work in progress where the work has been completed and the assets are in use but have not yet been capitalised. We understand the City Council has put in a significant amount of time to improve the timeliness of capitalisation of these assets but ran out of time before year end to complete the process.

At 30 June 2016, the City Council had a total of \$5.5 million of vested assets included in work in progress which should have been capitalised.

Refer to Appendix 2 for the recommendation raised in prior years.

2.1.3 Property, plant and equipment revaluations

The City Council revalued its land, buildings, water, sewerage and stormwater assets as at 30 June 2016.

We reviewed the scope of the valuation and are satisfied that the valuers or peer reviewers engaged were independent and appropriately qualified.

Upon revaluation, the fair value of the City Council's land and buildings increased by \$115.3 million and water, stormwater and sewerage assets increased by \$156.2 million. We reviewed the assumptions and methodology applied in completing the valuation and discussed these assumptions with the valuers in order to gain comfort over the valuation movements.

From our review of the valuations performed by the City Council, we noted some of the unit rates applied in the valuation were not consistent with the assumptions noted in the valuation report which resulted in incorrect unit rates being applied in the waters and sewerage valuation. We assessed the impact of the errors on materiality and noted the errors were not material to require a change in the financial statements.

Management comment

This was the first time we used IPS (Hansen) to carry out a revaluation. We tried to adapt checks that have used in past revaluations to ensure correctness to the new process. We are taking the identification of these errors seriously and will be ensuring we have a robust checking process prior to the next revaluation. This is programmed to occur at the end of this calendar year for solid waste.

2.2 Non-financial performance information

This was the first year that the City Council has reported against the performance measures incorporated into the 2015-2025 LTP and the mandatory measures set by the Department of Internal Affairs (DIA).

The City Council has systems in place for measuring the performance information. However, we decided to take a substantive approach for testing the performance information as we believe it would result in a more efficient audit process.

We are pleased to note that the supporting documentation provided has improved from the prior year. We were able to obtain work orders for every sample we tested.

We noted the following issues for improvement:

2.2.1 Water supply performance measures

During our testing of the median response time for urgent call outs, we identified that there was only a resolution time recorded for 222 service requests out of a total 437. For all the service requests that had no resolution time we used the completed time of the job to ensure that every service request had a resolution or completed time recorded.

There were six service requests that showed a negative response time. We agreed the negative resolution time back to the work order and identified in all instance the staff member inputting the information into the system had incorrectly recorded the am and pm which resulted in a negative time. We updated this time in the median time calculations to ensure the reported result was correct. In 2017, this should no longer be an issue as the City Council has now implemented a system control which will not allow a staff member to enter a start time or resolution time prior to the call time.

We also noted that there were three service request with no start date or completed time. For these work orders either no staff member has gone out to the job or they have not yet processed the service requests in a timely manner. A report is being run on a monthly basis by the Reticulation Team Leader to follow up with staff member who have not input there work orders in the system. In 2017, as the City Council is moving to electronic work-orders, we expect this issue to be partly addressed as the resolution time would be automatically recorded.

All of the above errors were corrected in the median time calculation. However, given the measure is only reporting the median it did not change the reported result.

Management comment

A number of the issues raised will be addressed through the introduction of the electronic work-order system. Training is also been provided to staff to address the issues noted.

2.2.2 Sewerage supply performance measures

During our testing of the median response time for urgent call outs, we identified eighteen service request with incorrect negative resolution times. We agreed the negative resolution time back to the work-order and identified there were five instances where a staff member recorded the incorrect a.m. or p.m. For the remaining thirteen, the system automatically defaulted to 12 a.m. for the resolution time as the person had not recorded this information on the work-order.

Out of the total of 492 service request there was twenty five that had no start date/time or completed time. For these work-orders either no staff member has gone out to the job or they have not yet processed the service requests in a timely manner.

All of the above errors were corrected in the median time calculation. However, given the measure is only taking the median it did not change the reported result.

We recommend Council staff should be reminded of the importance of filling in the start time, resolution time and completed time on work-orders. The independent review performed by Reticulation Team Leader of the data entered into Hansen 8 should include reviewing the data for negative numbers, reviewing the data where the service request has no start time, resolution time or completed time and checking those work-orders that have defaulted to 12 a.m. for the start and end time.

Management comment

A number of the issues raised will be addressed through the introduction of the electronic work-order system. Training is also been provided to staff to address the issues noted.

2.2.3 Completeness of Calls and Service Requests

The City Council keeps a log of all calls made into the City Council and service requests are generated by the Customer Services team for those calls that require attendance. Currently, there is no way to directly link a call through to a service request to ensure that every call that was required to be recorded has been recorded. Therefore there could be a call that is made where the customer service team do not generate a service request and therefore the call out is not captured in the performance information. Staff have been provided with adequate training to ensure that all services requests are being generated for all call outs and complaints.

We recommend that improvements could be made to linkages between the customer calls made and service requests generated so a reconciliation can be performed to give assurance that all calls have been captured for each performance measure.

Management comment

Within the current system there is no way the Customer Services team can link a call to a service request. Until the service requests systems are upgraded there is little that can be done to address the issue. Adequate training has been provided to staff to ensure calls are being captured and correctly classified. The service requests are being actively monitored by the assets teams.

2.3 Sale of the Pensioner Housing

During the financial year, the City Council approved the sale of the Pensioner Housing for \$23.5 million to Accessible Properties. The payment of the pensioner housing is being made in two parts. \$4.7 million was received during the year with the remaining amount receivable in March 2019.

We reviewed the disposal of the Pensioner Housing and we are satisfied a loss on disposal of the pensioner housing of \$7.5 million has been correctly reflected in the financial statements.

The loan receivable of \$18.8 million from Accessible Properties has been discounted to its fair value of \$15.9 million. The City Council applied a discount rate of 6% which we reviewed against the Treasury bond rate and are satisfied the discount rate appears reasonable.

The transaction was also correctly treated as exempt from GST, as the property had been used exclusively for providing residential accommodation.

2.4 Group consolidations

Group consolidations were identified as a significant risk during the planning stage due to the issues noted in the previous years.

During the year, the Innovation Waikato Limited group revalued their property, plant and equipment. The revaluation aligned with the City Council's revaluation of plant and buildings which included assets of a similar nature.

We are pleased to note the finance team prepared Group Consolidation packs that were been distributed to the City Council's subsidiaries. This ensured a smooth consolidation process at year-end.

3 Other audit findings

3.1 Overpayment of a redundancy payment

During our review of redundancy and severance payments we noted one employee was overpaid upon voluntary redundancy due to an error in the calculation. The amount of the error was not significant. The error was noted by payroll prior to processing. However, HR had already informed the employee of his exit payment therefore the correction could not be processed.

We recommend that all redundancy payments are independently reviewed before the employee is notified of their exit payment. This will reduce the risk of Council overpaying employees.

Management comment

Calculations are now being prepared by payroll and independently reviewed before notification to the affected staff member and processing.

3.2 Impairment of the Innovation Waikato Limited Group

Management engaged Crowe Horwath to perform a valuation on the investment in Innovation Waikato Limited (IWL) and Waikato Innovation Park Limited (WIPL). The valuation was based on a four year forecast prepared by management. The investment in the IWL group was valued at between \$10 million and \$11 million.

We reviewed the valuation performed by Crowe Horwath and are satisfied the key assumptions used in the valuation are reasonable. After enquiry with Management, we accepted that the decision to use the midpoint of the valuation range and recognise an impairment of \$2.1 million for the 2016 financial year.

4 Status of previous recommendations

The following is a summary of the status and action taken to monitor recommendations outstanding in our previous report:

Matters raised during previous annual and interim audits:

Recommendations	Number of matters raised	Number of these matters tracked in the OIPR	Number of these matters covered in the AMOIP
Matters cleared	3	3	0
Matters in progress	18	16	6
Total	21	19	6

Please note that we have not followed up on all the previous matters raised during the final audit. Although management may have made some progress on some of the matters, we will verify and clear matters during our next interim audit visit.

Please refer to Appendix 2 for detail.

Matters raised during the 2015-25 LTP audit:

Recommendations	Number of matters raised	Number of these matters these tracked in OIPR	Number of these matters covered in AMOIP
Matters in progress	7	7	7
Total	7	7	7

Please refer to Appendix 3 for detail.

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the City Council is from a standard that is appropriate for the size, nature, and complexity of its business.

We have developed the following priority ratings for our recommended improvements:

Urgent Major improvements required	Needs to be addressed urgently These recommendations relate to a significant deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.
Necessary Improvements are necessary	Address at the earliest reasonable opportunity, generally within 6 months These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.
Beneficial Some improvement required	Address, generally within 6 to 12 months These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 2: Status of previous recommendations

Outstanding or in progress matters

The following eighteen matters raised in previous annual and interim audits have been actioned and are in progress. Some of these matters were tracked in the OIPR and AMOIP.

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Plant, property and equipment – work in progress						
We recommended that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We recommended that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	At 30 June 2016, there was \$8.3 million of projects that have not yet been capitalised in the fixed assets register although the projects have been completed. This has been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. (Also refer to section 2.1.1 in this report) In progress	Urgent	The work in progress balances are being monitored monthly with reports provided to staff (through the asset management intranet portal) and Senior Leadership Team.	2014 2015	305	Yes

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Plant, property and equipment – timely capitalisation of vested assets						
We recommended that asset managers provide information to the finance team (asset accountant) on a monthly basis to ensure vested assets are capitalised in a timely manner.	At the 30 June 2016, the City Council had a total of \$5.5 million of vested assets included in work in progress which should have been capitalised. This has been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. (Also refer to section 2.1.2 in this report) In progress	Urgent	The work in progress balances are being monitored monthly with reports provided to staff (through the asset management intranet portal) and Senior Leadership Team.	2015	306	Yes
Plant, property and equipment – monthly reconciliations						
We recommended the City Council ensures disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.	Monthly reconciliations have been performed in November 2015, March, May and June 2016. We expect this to be completed on a regularly basis going forward. This has been incorporated as part of the AMOIP (Recommendation 3) and will be monitored as part of this programme. In progress	Urgent	Expected completion date 30 June 2017.	2015	307	Yes

Report to the Council on the annual audit of Hamilton City Council for the year ended 30 June 2016

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Statement of Service Performance – interruptions to service measures						
We recommended the City Council implement appropriate processes to ensure that the data within the Hansen 8 system is accurate and evidence made available to place reliance on the system.	Through our testing, we continue to identify issues with the performance information. This has been incorporated as part of the AMOIP (Recommendation 7) and will be monitored as part of this programme. In progress	Urgent	Expected completion date 30 June 2017.	2015	309	Yes
General ledger reconciliations						
In 2013, our review of monthly reconciliations identified the following exceptions: <ul style="list-style-type: none"> The April 2013 property, plant and equipment reconciliation had not been reviewed. 	From our review of monthly reconciliations, we identified the following: <ul style="list-style-type: none"> Based on our review of the suspense account reconciliations, we have identified that these were either not prepared in a timely manner or not reviewed independently. 	Necessary	New processes have been put in place to improve monitoring of reconciliation processes.	2013 2014 2015	319	N/A

Report to the Council on the annual audit of Hamilton City Council for the year ended 30 June 2016

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
<ul style="list-style-type: none"> The December 2012 bank reconciliation had not been reviewed in a timely manner. The reconciliation was prepared in January 2013 and reviewed in February 2013. <p>We recommended reviews of general ledger reconciliations be carried out in a timely manner.</p> <ul style="list-style-type: none"> In 2014, for PPE reconciliation, we noted the reconciliations were not dated by either the preparer or reviewer. <p>In 2015, suspense accounts were not always prepared or dated. Fixed asset reconciliations were not prepared until March 2015. Bank reconciliations could not be found.</p>	<ul style="list-style-type: none"> We noted the December 2015 reconciliation had not been prepared until February 2016 and was not independently reviewed. The February 2016 was not independently reviewed until April 2016. The fixed asset reconciliations were only prepared for November 2015 and March 2016 onwards. These reconciliations had not been independently reviewed. <p>In progress</p>					

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AUDIT NEW ZEALAND
 Mana Arotake Aotearoa

Report to the Council on the annual audit of Hamilton City Council for the year ended 30 June 2016

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Sensitive expenditure						
We recommended the Gifts and hospitality policy could be strengthened by requiring the receipt of gifts, except for inexpensive gifts are openly distributed by suppliers and clients, to be disclosed, to be recorded in a gifts register, and to remain the property of the entity. The policy should also define "infrequent" and "inexpensive" in relation to receiving gifts.	We have noted that the Gifts and Hospitality policy will now be incorporated into a new Gifts, Hospitality and Entertainment Policy. A gift register is also being set up to record these gifts. The policy is not due to be completed until the end of September 2016. In progress	Necessary	This will be completed by the end of September 2016.	2014 2015	Not recorded	N/A
Payroll system						
We recommended that payroll staff should ensure that the variable data report are independently reviewed on a regular basis.	We noted from our review of payroll this year, the variable data report was not always independently reviewed when staff were on leave. In progress	Necessary	Staff agree that supervision to ensure the control operates is required. Managers have been reminded to ensure key controls are in place at all times (including when staff are on leave).	2014 2015	Not recorded	N/A

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AUDIT NEW ZEALAND
 Mana Arotake Aotearoa

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
H3 events internal controls						
We recommended that the City Council perform an internal review over revenue and expenditure systems to identify areas where the internal controls can be improved.	<p>From our review of the revenue systems at H3, we have identified that management do not see any risks around invoices not being independently reviewed prior to be sent to customers or new debtors not being independently checked. This is because every invoice or new debtor is supported by a contract and customers would complain if the amount invoiced would be incorrect.</p> <p>We also noted the bank reconciliations are being prepared and have been independently reviewed. However, the reviewer was not signing or dating the reconciliations to show evidence or timeliness of the review.</p> <p>In progress</p>	Necessary	<p>Processes around the financial delivery of an event have been reviewed to ensure there are sufficient internal controls. In particular the invoicing process includes a distinct separation between delivery of the event and the invoicing of the event in line with contracted terms.</p> <p>The bank reconciliation process has been reviewed and this is now signed off as part of the month end reconciliation processes.</p> <p>This point can now be closed.</p>	2015	315	N/A

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
IT controls - no Organisational Business Continuity Plan or IT Disaster Recovery Plan						
We continue to recommend that the City Council prioritises development and testing of Organisational Business Continuity and IT Disaster Recovery plans.	<p>The IT DRP is awaiting finalisation with the pending changes to Desktop as a service, and server hosting redundancy services currently under negotiation with Fujitsu and Azure.</p> <p>During the year the Azure datacentre was down for one day and there was no backup service available to the City Council.</p> <p>Responsibility for Organisational Business Continuity lies with another area within the City Council.</p> <p>We continue to recommend that the City Council develops and tests organisational business continuity and IT disaster recovery plans.</p> <p>In progress</p>	Necessary	This is also underway and a more comprehensive disaster recovery plan will be developed once the Business Impact analysis has been completed by the Risk Management team.	2015	329	N/A

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Property, plant and equipment						
Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report.	This has been incorporated as part of the Asset Management Organisational Improvement Programme (AMOIP) (Recommendation 31) and will be monitored as part of this programme. In progress	Necessary	Expected completion date 1 January 2026.	2014 2015	243	Yes
Plant, property and equipment – completeness of information in Hansen 8						
We recommended the City Council ensures all the parks, gardens and building assets are added to the Hansen 8 system so information is all maintained and processed within one database.	This has been incorporated as part of the AMOIP (Recommendation 31) and will be monitored as part of this programme. In progress	Beneficial	Expected completion date 30 June 2017.	2015	308	Yes
Creditor masterfile changes report						
We recommended that the creditor masterfile change report should be updated to include the nature of the change so supplier and bank account changes can be identified and for review purposes.	The masterfile change report has been updated. All new supplier and bank account changes are now being reviewed. We will test to ensure this control is operating effectively throughout the entire year as part of the 2016/17 audit. In progress	Necessary	The creditor masterfile change report shows where bank accounts have been changed or created within the creditor masterfile. In future all new supplier and bank accounts changes will be independently reviewed.	2016	337	N/A

Report to the Council on the annual audit of Hamilton City Council for the year ended 30 June 2016

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Masterfile change made without approval						
We recommended that management ensure that the new supplier forms are approved by the procurement manager prior to a change being made in the system. The procurement team should be reminded not to process the change until this approval has been given.	As part of our testing in the 2016/17 audit we confirm this control has been operating effectively for the entire year. In progress	Necessary	Agreed. Whilst we believe this is an isolated instance we accept the audit recommendation. The procurement team will also be reminded not to process the change until this approval has been given.	2016	338	N/A
Adoption of legislative compliance policy						
We recommend this policy be formally approved and made available to all staff throughout the organisation.	The policy is due to be formally adopted by 1 December 2016. We will review the policy as part of the 2016/17 audit. In progress	Necessary	The policy will be formally adopted by 1 December 2016.	2016	339	N/A

Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Review of legislative compliance responsibility						
We recommend a review around all the legislation that the City Council must comply with be performed. The responsibility for each of the different legislation should be documented and formally communicated to each of the staff members with responsibility. This will ensure that each staff member understands their areas of responsibility around legislative compliance and can actively monitor the City Council's compliance.	The review will be completed by 1 December 2016. We will review the policy as part of the 2016/17 audit. In progress	Necessary	Work is currently underway to address this issue and will be cleared by 1 December 2016.	2016	340	N/A
Dynamics AX user profiles						
We recommend improvements are made to the procedures for adding, removing users and managing changes for delegated authorities in Dynamics AX. Supporting documentation should also be maintained for changes being made to delegations during the year.	Improvements have been made to the systems in place. We will test the control in place around adding and deleting users as part of our 2016/17 interim audit. In progress	Necessary	Improvements to processes governing user access have been identified and implemented. A full review of system user profiles is being completed to ensure all users are current staff members and have appropriate access levels to match role responsibilities.	2016	328/341	N/A

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Recommendation	Current status	Priority	Management's proposed action	Year(s) raised	OIPR item	AMOIP
Recording of IT assets and their antivirus status						
We recommended priority should continue to be given to ensuring all the City Council's desktops are recorded, managed and updated with antivirus updates and patches.	Patching cycles and antivirus updates have been implemented. This will be tested as part of the 2016/17 IT audit. In progress	Necessary	Noted. A patching cycle has been implemented to correct the compliance levels for desktop patching. Antivirus updates are now fully enabled on all discoverable desktops.	2016	330/342	N/A
Regular patching of the City Council's desktops						
We recommended monthly patching of desktops needs to be reinstated to ensure improved security of the City Council information.	Regular patching will be reinstated. This will be tested as part of the 2016/17 IT audit. In progress	Necessary	Agreed. The regular patching of desktops has now been reinstated and will occur monthly.	2016	331/343	N/A

Matters that have been resolved

Recommendation	Outcome	OIPR
Transportation measures		
We recommended the City Council ensures the independent audit includes a review of the Downer's performance information management systems as these systems are relied on for the statement of service performance reporting. This will give the City Council assurance that the information in Downer's system is complete and accurately recording the information.	The independent audit of Downer's performance information management systems has been incorporated into the scope of the audit performed on Downer's Construction. Matter cleared	324
Traffic infringements accrual		
We recommend a formal review be completed over this accrual to determine if the amounts accrued from 2006 through to 2010 are still payable or not.	During the year, the traffic infringements accrual was reviewed and long outstanding payables were reversed against the original cost code. Matter cleared	326
H3 revenue accruals		
We recommend the City Council undertake a review of H3's year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period.	H3 performed their own year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period. We identified no issues during our testing. Matter cleared	316

Appendix 3: Status of recommendations from the LTP in progress

The following seven issues raised in 2015-16 LTP audit have been addressed by the Asset Management Centre of Excellence and are covered in the AMOIP. These matters are also tracked in the OIPR (references provided):

Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
Content of the infrastructure strategy						
In order to improve the Infrastructure Strategy further, we recommended that the following areas are considered for future strategy preparation processes:	This has been incorporated as part of the AMOIP (Recommendations 8, 20, 22, 24) and will be monitored as part of this programme. The recommendations will be considered as part of the development of the new strategy in 2017. In progress	Necessary	Expected completion date 1 December 2017.	2015		
<ul style="list-style-type: none"> an indication of the quality of information held by the City Council about the age, descriptions, condition, and performance of infrastructural assets; summary of historical expenditure for key asset types to provide a benchmark for future expenditure levels; 					266	Yes
					267	Yes

Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
<ul style="list-style-type: none"> proposed funding strategies for planned expenditure, for example, stating what changes are proposed (if any) in how services are funded going forward; identification of any planned deferral of expenditure, the consequences of that deferral and the City Council's planned response; Council's intended approach for delivery of services to maintain the assets and build new assets; any significant changes in the way assets will be managed over time compared to the current arrangements; and any expected changes in technical, legislative or regulatory requirements and City Council's response to those changes. 					268	Yes
					269	Yes
					270	Yes
					271	Yes
					272	Yes

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Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
Contents of the Asset Management Policy						
We recommended the City Council should consider updating its AM policy to incorporate guidance on:	This have been incorporated as part of the AMOIP (Recommendation 2) and will be monitored as part of this programme. A review of the asset management policy is currently being undertaken. In progress	Necessary	Expected completion date 1 December 2016.	2015		
<ul style="list-style-type: none"> performance measures for AM such as timeframes for reviews, community consultation; procedures for audit and review; and contribution of AM to the City Council's sustainable development objectives. 					273	Yes
					274	Yes
					275	Yes
Process for deciding on required level of asset management practice						
Council should amend the AM Policy to provide clearer direction for each activity as to which aspects of AM the lower level is acceptable and which parts are expected to be at the higher level.	This have been incorporated as part of the AMOIP (Recommendation 2) and will be monitored as part of this programme. A review of the asset management policy is currently being undertaken. In progress	Necessary	Expected completion date 1 December 2016.	2015	276	Yes

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AUDIT NEW ZEALAND
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Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
Improvement planning						
Council should ensure that issues identified from the independent peer reviews are incorporated into the AM Improvement Plans. We also encourage the City Council to continue with assigning appropriate time and resource to enable the tasks identified in the 2015 AMP improvement programme to be undertaken.	This have been incorporated as part of the AMOIP (Recommendation 33) and will be monitored as part of this programme. An Asset Management Improvement Plan has been developed and is monitored by the Asset Management Sponsor Team and progress reported to Senior Leadership Team on a bi-monthly basis. In progress	Necessary	Expected completion date 1 August 2016.	2015	277	Yes
Reliability of asset data						
Council needs to ensure that it obtains a complete set of asset attributes, condition ratings and performance data for all asset components in the water treatment plants/reservoirs and wastewater treatment plant/pump stations. This data should be held in the City Council's AM system and periodically updated so that reliable information is available to generate future operating and capital programmes and to reduce the reliance upon informal anecdotal evidence.	Consultants support has been engaged for the implementation of BIM modelling for treatment plants. This have been incorporated as part of the AMOIP (Recommendation 31) and will be monitored as part of this programme. In progress	Necessary	Expected completion date 1 January 2019.	2015	278	Yes

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Recommendation	Current status	Priority	Management's proposed action/ proposed completion date	Year(s) raised	OIPR item	AMOIP
Asset condition and performance						
We recommended that the business process for inputting data into the AM system is amended so that the original condition and performance ratings are incorporated into the information loaded. This will enable optimal decisions to be made about the maintenance and renewal of those assets in future budget rounds.	This have been incorporated as part of the AMOIP (Recommendation 11) and will be monitored as part of this programme. In progress	Necessary	Expected completion date 1 December 2016.	2015	279	Yes
Valuation of water and wastewater						
We recommend that the City Council ensures reliable information is recorded in its AM system so as to ensure that the current shortcomings in the valuation of treatment plant assets can be rectified as soon as practicable.	Consultants support has been engaged for the implementation of BIM modelling for treatment plants. This have been incorporated as part of the AMOIP (Recommendation 31) and will be monitored as part of this programme. In progress	Necessary	Expected completion date 1 January 2019.	2015	280	Yes

AS21 - H400-HmCCTA1 - 30-06-2015

Appendix 4: Mandatory 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 financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We confirm that, for the audit of the Hamilton City Council's financial statements for the year ended 30 June 2016, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of audit of the debenture trust deed, summary annual report and an assurance services in relation to procurement, which are compatible with those independence requirements. Other than these assignments we have no relationship with or interests in the District Council or any of its subsidiaries.</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 Hamilton City 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 Hamilton City Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

AS21-1600HWCC151-12-06-2016

AUDIT NEW ZEALAND
 Mana Arotake Aotearoa

council report

Committee: Audit & Risk Committee

Date: 14 March 2017

Report Name: Audit and Risk Committee Self Review

Author: David Bryant

Status	<i>Open</i>
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1. Purpose

2. To inform the committee of the work that audit and risk committee has conducted over the last 12 months and to carry out a self assessment review on this basis.

Recommendation

That the Audit and Risk Committee receive the report.

3. Attachments

4. Attachment 1 - Audit and Risk Committee - Self Review Report
5. *(The Chair will use the attached report as the basis for a self assessment discussion).*

Signatory

Authoriser	David Bryant, General Manager Corporate
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Committee: Audit and Risk Committee

Date: 14 March

Report name: Committee Self-Review

Author: Paul Connell

Purpose of the Report

This report outlines the work of the Audit and Risk committee for the last 12 months.

Recommendation

That the Committee:

- a) receive this report;
- b) discuss its contents; and
- c) consider whether improvements can be made to the work and effectiveness of the committee.

Meetings

The Audit and Risk Committee met on the following dates:

- 23 March 2016
- 8 June 2016
- 13 September 2016

The November meeting was not held as Councillors were occupied following the election.

The Committee also held informal workshops on the following dates:

- 10 March 2016: Risk Management
- 31 May 2016: Risk Management
- 30 August 2016: Financial Statement and impairment review

The Chair held additional meetings with the internal auditors PWC, Audit New Zealand and executives.

The chair also attended a Council meeting on 29 September 2016 to present the Annual Report.

Annual Reporting Process

The Committee managed the engagement of with the external auditors and the completion of the annual financial statements and made recommendations to Council where required.

The Committee reviewed accounting policies, material estimates and asset impairment where appropriate.

Risk Management

The Committee monitored the top organisational risks and recommended action where required. In addition, the Committee continued to focus on continuous improvement and simplification of the framework.

Organisational Improvement

The Committee received reports from external parties which included recommendations for improvement including:

- Audit New Zealand
 - Annual audit and controls
 - IT governance reviews
- PWC: Internal Audit
- Fitch credit report
- IANZ : Building Consents Accreditation

The Committee tracked progress with all recommendations.

Other work

The Committee received internal reports including:

- Health and Safety
- Cyber Security
- Local government risk agency and insurance

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

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

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