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

Date: Monday 14 May 2018
Time: 1.00pm
Meeting Room: Council Chamber
Venue: Waikato Regional Council, 401 Grey Street, Hamilton East

VRJ Payne
Chief Executive Officer

Audit and Risk Committee
Open Agenda

Chairperson H Stevens
Deputy Chairperson Cr J Hennebry
Members Cr B Simcock
Cr H Vercoe
External Member G Naylor
Ex officio Cr A Livingston; or
Cr T Mahuta
Quorum 4

Jennie Cox
Democracy Advisor
Telephone: 0800 800 401
Jennie.Cox@waikatoregion.govt.nz
Website: www.waikatoregion.govt.nz
Audit and Risk Committee

REPORTING TO: Council

CONSTITUTION: Chair of the Finance Committee, Deputy Chair of the Finance Committee, Chair of the Strategy and Policy Committee, The Council Chair or Deputy Chair (ex-officio with full voting rights), Two external appointees, one of whom will be the Committee Chair.

QUORUM: Four (4).

MEETING FREQUENCY: Four times per year or as otherwise required.

OBJECTIVE: To promote and enhance the effectiveness of Council’s Audit processes by the provision of independent expertise and to strengthen the monitoring of Council’s risk, control and compliance framework.

SCOPE OF ACTIVITY:

1. External Audit
   (a) Engage with Council’s external auditors regarding the external audit work programme.
   (b) Recommend to Council the terms and arrangements for the external audit programme.
   (c) Review of effectiveness of the annual audit and 10-year plan audit, to ascertain whether emphasis is being placed on areas where the committee, management or auditors believe special attention is necessary.
   (d) Review management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

2. Internal Audit
   (a) In conjunction with the CE, agree the scope of the annual internal audit work programme.
   (b) Monitor the delivery of the internal audit work programme.
   (c) Assess whether all significant recommendations of the Internal Audit have been properly implemented by management.

3. Risk Management
   (a) Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the WRC’s financial and business risks, including fraud.
   (b) Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
   (c) Review the effect of WRC’s risk management framework on its control environment and insurance arrangements.
   (d) Review whether a sound and effective approach has been followed in establishing WRC’s business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.
   (e) Review WRC’s fraud policy and satisfy itself that WRC has appropriate processes and systems in place to capture and effectively investigate fraud-related information.
4. Control Framework
   (a) Review whether management’s approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective.
   (b) Review whether management has in place relevant policies, processes and procedures, and that these are periodically reviewed and updated.
   (c) Review whether appropriate policies and procedures are in place for the management and exercise of delegations.
   (d) Review regular reporting on processes ensuring compliance with key controls e.g. gift register reporting and policy updates.

5. Legislative compliance
   (a) Determine whether management has appropriately considered legal and compliance risks as part of WRC’s risk assessment and management arrangements.
   (b) Review the effectiveness of the system for monitoring WRC’s compliance with relevant laws, regulations and associated government policies.

6. Annual Financial Statements
   (a) Report to the Finance Committee on any matters pertaining to the Committee’s work programme that may impact on the adoption of the Annual Report.

POWER TO ACT: (UNDER DELEGATION AND FOR THE INFORMATION OF COUNCIL)

1. Receive and consider external and internal audit reports on financial matters.

2. To receive and consider staff reports on audit, internal control and risk management related matters.

POWER TO RECOMMEND TO COUNCIL:

1. To make recommendations to Council on financial, internal control and risk management policies and procedures as appropriate.

2. To recommend approval of the Auditors engagement letter.

REFERENCE DOCUMENTS:

1. Audit and Risk Committee Work Plan (Doc#3321066).
1. **Apologies**

2. **Confirmation of Agenda**

3. **Disclosures of Interest**

   Any disclosures of interest relating to the business at this meeting

4. **Matters arising from previous meetings minutes**
   Doc # 11912100 & 11611601

   This report reviews the actions and matters arising from the previous Audit and Risk Committee meetings.

5. **Gift Register Update for Staff and Elected Members**
   Doc # 12354746

   This report provides a summary of gifts received by Elected Members and staff during the period 1 October 2017 to 31 March 2018.

6. **Risk Management Activity and Key Projects Update**
   Doc # 11943341

   This report provides an update on Council’s risk management activities and key project risks.

7. **Audit NZ 2018-2028 Long Term Plan Management Report**
   Doc #12402276

   This report presents the Audit NZ 2018-2028 Long Term Plan management report to the Committee and provides an update on the project governance structures, quality assurance processes and high level risks associated with the Long Term Plan project.

8. **External Audit Update**
   Doc # 12387466 & 12386661

   This report provides an update on outstanding matters from previous audits.

9. **Internal Audit Programme Update**
   Doc #11944362 & 12410842

   This report provides an update on the internal audit programme.

10. **Waikato Regional Council Flood Protection Asset Risk Management**
    Doc #12407393

    This report provides an overview of the work areas currently underway to manage the risk associated with the flood protection assets management by the Waikato Regional Council and in particular the progress that has been made since the last report (February 2018).
This report provides an update on the Council policies that are due for review/renewal this quarter and to get the Fraud Policy and Investment Management Policy approved by the committee.

This report provides an overview of the process for the preparation and approval of the accounting estimates and judgements that underpin the financial statements included in the 2017/18 Annual Report.

**Resolution to Exclude the Public**

Recommended that the public be excluded from the following part/s of the meeting:

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 are as follows:

<table>
<thead>
<tr>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>14 Potential Liability Claims</strong></td>
<td>Good reason to withhold exists under Section 7.</td>
<td>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)</td>
</tr>
<tr>
<td><strong>15 Corporate Systems Replacement Project Update</strong></td>
<td>Good reason to withhold exists under Section 7.</td>
<td>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)</td>
</tr>
</tbody>
</table>
This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Interest</th>
</tr>
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<tbody>
<tr>
<td>14, 16</td>
<td>Protect information where the making available of the information</td>
</tr>
<tr>
<td>16</td>
<td>Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - (i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; or (ii) would be likely otherwise to damage the public interest (Schedule 7(2)(c))</td>
</tr>
<tr>
<td>16</td>
<td>Avoid prejudice to measures that prevent or mitigate material loss to members of the public (Schedule 7(2)(e))</td>
</tr>
<tr>
<td>14, 16</td>
<td>Maintain legal professional privilege (Schedule 7(2)(g))</td>
</tr>
<tr>
<td>15 &amp; 16</td>
<td>Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Schedule 7(2)(h))</td>
</tr>
<tr>
<td>14, 16</td>
<td>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))</td>
</tr>
</tbody>
</table>
15 Corporate Systems Replacement Project Update  
Doc # 12389944

16 Public Excluded Minutes of the Audit and Risk Committee meeting held on 9 March 2018  
Doc # 11912812
Report to Audit and Risk Committee

Date: 22 March 2018

Author: Mike Garrett, Chief Financial Officer

Authoriser: Mike Garrett, Chief Financial Officer

Subject: Matters arising from previous meetings minutes

Purpose
1. To review the actions and matters arising from the previous Audit and Risk Committee meetings.

Staff Recommendation:
1. That the report ‘Matters arising from previous meetings minutes’ (Doc #11611601 dated 22 March 2018) be received.

Matters from previous meeting minutes

<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Item/issue</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 December 2014</td>
<td>[Standing item] Update Audit and Risk Subcommittee regularly on implementation of Asset Management maturity recommendations.</td>
<td>A report on current asset management activities in included in the agenda.</td>
</tr>
<tr>
<td>2 17 March 2016</td>
<td>In respect to the 60/40 Government disaster funding share, the Subcommittee asked that staff advocate that the timing of the new regulations coincide with the next Long Term Plan process.</td>
<td>We are still awaiting release of the proposal document for consultation.</td>
</tr>
<tr>
<td>3 1 November 2017</td>
<td>Policy Review Schedule Update</td>
<td>Protected disclosures report went to last meeting.</td>
</tr>
<tr>
<td>4 1 November 2017</td>
<td>Gift Register Update for Staff and Elected Members</td>
<td>Fraud risk policy is on the agenda – refer item 13.</td>
</tr>
<tr>
<td>Meeting Date</td>
<td>Item/issue</td>
<td>Status</td>
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<tr>
<td>--------------</td>
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<tr>
<td>(including GST) on the condition that acceptance cannot be perceived as a means of influencing a Council decision making process’ Required rewording as this requirement also relates to gifts of value of more than $100. Notwithstanding this, the Committee requested that the Policy differentiate between a hospitality requirement as part of the role versus a personal gift.</td>
<td>Members which includes the Elected Members Gifts Policy.</td>
<td></td>
</tr>
<tr>
<td><strong>5</strong> 1 November 2017 <strong>Waikato Regional Council Flood Protection Asset Risk Management</strong></td>
<td></td>
<td>Refer to item 11 within this agenda.</td>
</tr>
<tr>
<td>The Committee complimented staff on the report and requested regular reporting to the Audit and Risk Committee on progress against the recommendations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6</strong> 1 November 2017 <strong>Assessment of Flood Management Liability</strong></td>
<td></td>
<td>Refer to item 11 within this agenda.</td>
</tr>
<tr>
<td>Management were asked to provide a response to the legal opinion received by Tompkins Wake to the March 2018 Audit and Risk Committee meeting.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting Date</td>
<td>Item/issue</td>
<td>Status</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 8 1 November 2017 | **Insurance Programme Update**  
Including 2017/18 Insurance Renewal | Vehicle insurance has moved from NZI to Lumley |
|              | - The Committee requested a summary of all of the premiums at the March 2018 Audit and Risk Committee meeting. | Summary of policy premiums 2017/18 |
|              | - Staff undertook to provide members with details around the motor vehicle underwriters. |                                                                 |
|              | **Summary of policy premiums 2017/18**  
Crime 12,232.26  
Employers' Liability 1,060.50  
Statutory Liability 3,721.07  
Corporate Travel 381.25  
Accident and Health 1,107.50  
Infrastructure 164,744.39  
Infrastructure primary layer 78,234.01  
Business Interruption 1,194.08  
Material damage (fire) 60,794.54  
Material damage 55,002.54  
Material damage excess layer 1,779.09  
Cyber liability 14,201.41  
Motor vehicle 106,398.08  
Marine Hull 6,792.11  
Forestry 1,588.38  
509,231.21 |                                                                 |
|              | **The committee requested a comparison of premium costs and any cover changes from the previous year.**  
**For comparison of premium costs, see the summary of policy premiums and cover, at end of this report.** |                                                                 |
<p>| 9 9 March 2018 | <strong>Risk Management Activity and Key Projects Update</strong> | Refer to item 6 within this agenda. |
|              | Staff were asked to amend the explanation for the trend indicator for CORP7 as it was suggested that the term “Council is doing less with more” was not appropriate. |                                                                 |
|              | The complaints process was discussed and the Committee requested that |                                                                 |</p>
<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Item/issue</th>
<th>Status</th>
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<tbody>
<tr>
<td></td>
<td>Public transport complaints be reported separately.</td>
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<td></td>
<td>The committee asked for an assessment on what is</td>
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<td></td>
<td>required to reduce the Health &amp; Safety risk from</td>
<td></td>
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<tr>
<td></td>
<td>‘medium’ to ‘low’.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>9 March 2018</td>
<td>Havelock North Water Inquiry Update</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Committee to be kept informed of the Council’s work programme and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the implications of, and responses to, legislative change.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Included in the Risk Management update, refer to item 6.</td>
</tr>
<tr>
<td>11</td>
<td>9 March 2018</td>
<td>Tauhei Flood Control Project</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The point was made that there is a need for greater awareness and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>understanding of the actual costs, challenges, and constraints that the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Council faces in planning and developing infrastructure projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>around the Waikato region.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff agreed to provide a summary of the key actions arising from the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>lessons learnt and bring back a report in 12 months on the implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Refer to item 11 within this agenda.</td>
</tr>
</tbody>
</table>
** Comparison of premium costs and core charges from the previous year. Vehicle insurance has moved from NZI to Lumley.

Summary of policy premiums 2

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2016/17</th>
<th>Changes to policy provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime</td>
<td>12,232.26</td>
<td>12,050.50</td>
<td></td>
</tr>
<tr>
<td>Employers' Liability</td>
<td>1,060.50</td>
<td>1,059.50</td>
<td></td>
</tr>
<tr>
<td>Statutory Liability</td>
<td>3,721.07</td>
<td>3,720.07</td>
<td></td>
</tr>
<tr>
<td>Corporate Travel</td>
<td>381.25</td>
<td>286.25</td>
<td></td>
</tr>
<tr>
<td>Accident and Health</td>
<td>1,107.50</td>
<td>1,105.83</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>166,900.79</td>
<td>141,804.38</td>
<td>Increase sublimit from $50 million to $80 million</td>
</tr>
<tr>
<td>Infrastructure primary layer</td>
<td>78,234.01</td>
<td>71,909.98</td>
<td>Sum insured 2016/17 $504 million; 2017/18 $585 million</td>
</tr>
<tr>
<td>Business Interruption</td>
<td>1,194.08</td>
<td>1,029.50</td>
<td></td>
</tr>
<tr>
<td>Material damage (fire)</td>
<td>60,794.54</td>
<td>37,420.43</td>
<td>$45 million total policy limit unchanged</td>
</tr>
<tr>
<td>Material damage</td>
<td>55,002.54</td>
<td>29,969.01</td>
<td>$150 million total policy limit unchanged, Inclusion of above ground infrastructure assets and those subject to fire risk into material damage policy 2017/18</td>
</tr>
<tr>
<td>Material damage excess layer</td>
<td>1,779.09</td>
<td>1,589.50</td>
<td></td>
</tr>
<tr>
<td>Cyber liability</td>
<td>14,201.41</td>
<td>11,721.72</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>106,398.08</td>
<td>71,466.61</td>
<td>Change in provider from NZI to Lumley</td>
</tr>
<tr>
<td>Marine Hull</td>
<td>6,792.11</td>
<td>6,639.34</td>
<td></td>
</tr>
<tr>
<td>Forestry</td>
<td>1,588.38</td>
<td>1,049.94</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>511,387.61</strong></td>
<td><strong>392,822.56</strong></td>
<td></td>
</tr>
</tbody>
</table>

Attachments
Minutes of the Audit and Risk Committee meeting held on 9 March 2018 (Doc # 11912100)
Audit and Risk Committee
OPEN MINUTES

Minutes of a meeting of the Audit and Risk Committee held in Council Chamber, 401 Grey Street, Hamilton East on Friday 9 March 2018 at 9.00am.

Chairperson H Stevens
Deputy Chairperson Cr J Hennebry
Present Cr B Simcock
Cr H Vercoe
External Member G Naylor
Ex-officio Cr A Livingston
In attendance Cr F Lichtwark
Staff V Payne – Chief Executive
M Garrett – Chief Financial Officer
K Bennett – Manager CE’s Office
J Becker – Finance Manager
G Dawson – Democracy Advisor
Apologies
(Agenda Item 1)

There were no apologies provided.

Confirmation of Agenda
(Agenda Item 2)

Cr Vercoe moved/ Cr Hennebry seconded

AR18/1 RESOLVED
THAT the agenda of the Audit and Risk Committee of 9 March 2018 as circulated be confirmed as the business for the meeting.

The motion was put and carried (AR18/1)

Disclosures of Interest
(Agenda Item 3)

There were no disclosures of interest noted.

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

Matters Arising from Previous Meetings minutes
(Agenda Item 4) Doc # 11611601 & 11300554

The Chief Financial Officer (M Garrett) outlined the actions and matters arising from previous Audit and Risk Committee meetings.

Arising from questions, answers and related discussion, the following matters were noted:

- A review of the Emergency funding arrangements between Local and Central Government is still to be consulted on.
- Implementation of the Total Mobility Ridewise system is likely later in 2018 subject to resource availability.
- The KPMG Fraud Risk assessment workshop will be included as part of the fraud policy review process.
- Clarification was asked in relation to the terms and conditions of insurance cover that the Council has.
- It was explained that the term ‘negative assurance’ provided on the annual report by the committee meant there were no material matters the Audit and Risk committee were aware that would impact on the Finance committee adopting the annual report.
- A change was requested to the minutes on page 23. The changed involved changing the word ‘conservations’ to conversations’.

H Stevens moved/ Cr Simcock seconded
AR18/2 RESOLVED
THAT the report ‘Matters arising from previous meetings minutes’ (Doc # 11611601 dated 28 February 2018) be received.

The motion was put and carried (AR18/2)

Cr Livingston moved/ Cr Vercoe seconded

AR18/3 RESOLVED
THAT the minutes of the Audit and Risk Committee meeting held on 1 November 2017 be confirmed as a true and correct record (Doc # 11300554).

The motion was put and carried (AR18/3)

Risk Management Activity and Key Projects Update
(Agenda Item 5) Doc # 11440273

The Manager - CE’s Office (K Bennett), Manager – People and Capability (N Ollington) and Audit New Zealand provided an update on Waikato Regional Council’s risk management activities and key project risks.

The following matters were discussed:

- Staff were asked to amend the explanation for the trend indicator for CORP7 as it was suggested that the term “Council is doing less with more” was not appropriate.
- Discussion around CORP9 centred around an update on the recent ICT spamming incident that had impacted on the ability of the email system to operate and function.
- The matter was resolved as fast as possible. The importance of moving to a culture of security awareness in relation to ICT was highlighted. Further investment in improving systems is also being investigated.
- The need ongoing vigilance in biosecurity was discussed, along with the importance of industry, local and central government working together effectively.
- The matter of high annual leave balances was raised. It was noted that those staff with high balances are being encouraged to take leave. In exceptional circumstances a cash in option is available, with it being noted that the approach has a financial cost and health and wellbeing implications for staff if they do not take regular holidays breaks.
- The complaints process was discussed and the Committee requested that Public transport complaints be reported separately. The expense approval process was explained and a key principle being “one up approval” noting the Chair approved the CE expenses. It was noted that expenses of Councillors are monitored by the Finance Committee quarterly and it was requested that the CE expenses be included in this reporting.
- The matter of sensitive expenditure was raised, along with the need for vigilance in monitoring expenses of the Council.
- The matter of Disclosures of Interests was raised, along with the ways in which any real or perceived conflicts can managed or mitigated and the reliance placed on self-reporting. An update on the Long Term Plan project was provided. Jared Williams from Audit NZ advised the meeting that the Council is developing the Long term Plan to a high standard and only slight changes have been recommended to the current approach being used.
- The length of the consultation document was raised by a member and how effective this would be for engagement. It was noted that the length and format of the document needs to be fit for purpose given the extent of the proposals to appropriately engage with the public.
- The Council will be using a targeted approach to communicating the Long Term Plan. It is hoped that there will be increased levels of engagement through this approach.
- Audit New Zealand noted that the report must be attached to the Consultation document when it goes before the Council for adoption.

Cr Simcock moved/ Cr Livingston seconded

AR18/4 RESOLVED
THAT the report ‘Risk Management Activity and Key Projects Update’ (Doc # 11440273 dated 28 February 2018) be received.

Havelock North Water Inquiry Update
(Agenda Item 6) Doc # 11904260

The Manager, CE’s Office (K Bennett) presented the report of the Havelock North Drinking Water Inquiry: Stage 2 with regard to the potential implications for Waikato Regional Council’s roles, responsibilities and functions.

The following matters were discussed:
- Local government must work together and with Ministry of Health, public health units of the DHBs and others to address the matters raised in the report. It was noted that WRC staff were anticipating changes to legislation and had started implementing actions to enable implementation of key recommendations, including the establishment of Joint Working Groups.
- It was noted that the recommendations in the report sought to clarify roles and responsibilities in relation to the multi-barrier approach to provision of drinking water, from source to tap.
- Future funding arrangements must reflect the operating reality for the Council and wider local government.
- The committee will be kept informed of the Council’s work programme and the implications of, and responses to, legislative change.

Cr Vercoe moved/ G Naylor seconded

AR18/5 RESOLVED
THAT the report ‘Havelock North Water Inquiry Update’ (Doc # 11904260 dated 28 February 2018) be received.

Policy Review Schedule Update
(Agenda Item 7) Doc # 11439871 & 11848741

Senior Legal Advisor (S Jones) provided an update on the Waikato Regional Council policies that are due for review/renewal this quarter. The following matters were discussed:
- Staff had recently reviewed the Protected Disclosures Policy and were seeking Committee endorsement of the revised policy. Only minor changes had been made to improve ease of reading.
- It was noted that the Council is working towards building a culture where all staff, are empowered to speak up if they have concerns and understand how they can make a disclosure in line with the Protected Disclosures Act.
- The point that not all internal policies must go through the Council was noted. These are typically operational policies within the scope of the Chief Executive’s delegated authority. The policy review schedule will in future identify which policies are Council policies and which are delegated to the CE.

H Stevens moved/Cr Livingston seconded

AR18/6  
**RESOLVED**
THAT the report ‘Policy Review Schedule Update’ (Doc # 11439871 dated 28 February 2018) be received.

The motion was put and carried (AR18/6)

Chair moved/ Cr Livingston seconded

AR18/7  
**RESOLVED**
THAT the Protected Disclosures Policy (Doc # 11848741) be endorsed.

The motion was put and carried (AR18/7)

**SECTION B: (FOR RECOMMENDATION TO COUNCIL)**

**Treasury Risk Management Policy Review**  
(Agenda Item 8) Doc # 11873976, 11727504, 11725598 & 11831222

Finance Manager (J Becker) presented an updated Treasury Risk Management Policy for endorsement. In speaking to the report it was noted that the updated policy reflects Council’s decision as part of the 2018-2028 Long Term Plan to commence an external borrowing programme.

Arising from questions, answers and related discussion, the following matters were noted:
- It was noted that the Council will be joining the Local Government Funding Agency (LGFA) as the Long term Plan proposes that Council borrows externally. The LGFA will allow the Council to borrow at cheaper interest rates.
- The LGFA has its own credit rating and is fit for purpose for the local government sector.
- Council is taking appropriate legal and professional advice to manage the joining process.
- The proposed policy changes were based on recommendations from PWC

Cr Livingston moved/Chair seconded

AR18/8  
**RESOLVED**

The motion was put and carried (AR18/8)

Cr Livingston moved/Chair seconded

AR18/9  
**RECOMMENDED**
THAT the Audit and Risk Committee endorse the Treasury Risk Management Policy (Doc # 11727504).

The motion was put and carried (AR18/9)
Meeting adjourned at 10.40am for morning tea and resumed at 10.55am

**External Audit Update**  
(Agenda Item 9) Doc # 11872058 & 11869039

Staff provided an update on outstanding matters from previous audits and sought approval for the Committee Chair to sign the Audit Arrangements Letter for the 2017/2018 Annual Report audit when received.

The following matters were discussed:
- Audit New Zealand plan to modernise the way in which arrangement letters are set out and are now referred to as the audit plan. There will be no need to physically sign, however, there will still need to be a formal review from the delegated person within the Council.
- Management over-ride is an area that will be looked into by audit, Audit noted that disclosure of expenses and activities has proven to be an effective way of improving the level of transparency and accountability in the public sector.
- Key asset valuation would be reviewed as part of the audit.

Chair moved/Cr Livingston seconded

**AR18/10**

**RESOLVED**  
THAT the report ‘External Audit update’ (Doc # 11872058 dated 23 February 2018) be received.

The motion was put and carried (AR18/10)

Chair moved/Cr Livingston seconded

**AR18/11**

**RECOMMENDED**  
THAT the Chair of the Audit and Risk Committee be delegated authority to approve the Audit Plan for the 2017/18 year.

The motion was put and carried (AR18/11)

**SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)**

**Internal Audit Programme Update**  
(Agenda Item 10) Doc # 11437580, 11905151, 11810493, 11904301 & 11905215

The Manager, CE’s Office (K Bennett) and KPMG provided a status update on the internal audit programme.

The following matters were discussed:
- It was noted that there is a need for ongoing focus on risk management and long term investment in infrastructure as part of the Long Term Plan process.
- In response to a member’s question about the reason for dams – mainly farm dams in this context - being on the priority list for asset management review, staff advised that dams were a new area of focus, whereas floodgates, pump stations, stopbanks etc were already captured in the review cycle.
• Each catchment zone has different asset requirements that need to be addressed and the zone plans reflect this. Flooding was seen as a major risk and it was agreed that there was need to focus on drainage and flood control across all the zones.

• Staffing levels and requirements were raised to implement the audit recommendations on asset management and it was noted that there was a business case approved in the LTP to increase asset management resourcing. It was noted that the progress made in the area of business continuity planning was positive overall and implementation of recommendations would provide even greater assurance.

• The internal audit scoring assessment criteria was discussed and it was noted that there are some differences between overall external audit assessments reported to the committee and internal audit scores and results. Staff advised that this was due to the internal audit programme focussing not just on internal controls and areas of strategic importance but also those areas had been exposed to disruptive changes or that management identified as needing improvement or were developing.

G Naylor moved/Cr Vercoe seconded

AR18/12 RESOLVED
THAT the report ‘Internal Audit Programme Plan’ (Doc # 11437580 dated 28 February 2018) be received.

The motion was put and carried (AR18/13)

Waikato Regional Council Flood Protection Asset Risk Management
(Agenda Item 11) Doc # 11874812

The Manager Business and Technical Services (G Ryan) provided an overview of the work areas currently underway to manage the risk associated with the flood protection assets managed by the Waikato Regional Council, in particular progress that has been made since the last report (October 2017).

The following matters were discussed:
• It was noted that flooding is a major risk to Waikato communities and its economy. It was discussed how risk varies according to land use and type, and there is a need to establish clear community expectations around the level of service Council infrastructure provided.
• The Council will be implementing a strategic and targeted communications programme that will provide greater clarity around responsibilities, liabilities and level of service.
• Staff were asked to keep reporting on this matter.

H Stevens moved/ Cr Hennebry seconded

AR18/13 RESOLVED
THAT the report ‘Waikato Regional Council flood protection asset risk management’ (Doc # 11874812 dated 23 February 2018) be received.

The motion was put and carried (AR18/13)
**Tauhei Flood Control Project**  
(Agenda Item 12) Doc # 11530178 & 11064567

The Director, Integrated Catchment Management (C Crickett) outlined the factors that contributed to an increased project cost estimate for the proposed Tauhei project, a chronology of reporting to Council and landowners, and business improvement measures taken as lessons learnt.

The following matters were discussed:

- It was acknowledged that a lack of scope, poor planning and project management systems and administration contributed to the problems that arose with the project. The gaps that have been identified have begun to be addressed and a robust system will be put in place to ensure that it does not happen again.
- The need for a balanced commercial and community approach to projects and infrastructure planning was raised. It was noted as a possible way to add further assurance of better project outcomes overall.
- The point was made that there is a need for greater awareness and understanding of the actual costs, challenges, and constraints that the Council faces in planning and developing infrastructure projects around the Waikato region.
- Staff agreed to provide a summary of the key actions arising from the lessons learnt and bring back a report in 12 months on the implementation of the actions.

Cr Vercoe moved/Cr Hennebry seconded

AR18/14 RESOLVED

THAT the report ‘Tauhei Flood Control Project’ (Doc # 11530178 dated 26 February 2018) be received.

The motion was put and carried (AR18/14)

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

AR18/15 Resolutions to Exclude the Public

H Stevens moved/G Naylor seconded

RESOLVED

That the public be excluded from the following part/s of the meeting:

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 are as follows:

<table>
<thead>
<tr>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item No</td>
<td>Interest</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>----------</td>
<td></td>
</tr>
<tr>
<td>14, 15</td>
<td>Protect information where the making available of the information (i) would disclose a trade secret; or (ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (Schedule 7(2)(b))</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - (i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; or (ii) would be likely otherwise to damage the public interest (Schedule 7(2)(c))</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Avoid prejudice to measures that prevent or mitigate material loss to members of the public (Schedule 7(2)(e))</td>
<td></td>
</tr>
<tr>
<td>14, 15</td>
<td>Maintain legal professional privilege (Schedule 7(2)(g))</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Schedule 7(2)(h))</td>
<td></td>
</tr>
<tr>
<td>Item No</td>
<td>Interest</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>----------</td>
<td></td>
</tr>
<tr>
<td>14, 15</td>
<td>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))</td>
<td></td>
</tr>
</tbody>
</table>

The motion was put and carried (AR18/15)

Return to Open Meeting at 12.15

Meeting closed at 12.15

Doc 11912100
Report to Audit and Risk Committee

Date: 19 April 2018

Author: Dominique Thurlow, Democracy Advisor
Bob Hamon, Procurement Officer

Authoriser: Mike Garrett, Chief Financial Officer

Subject: Gift Register Update for Staff and Elected Members

Section: A (Committee has delegated authority to make decision)

Purpose
1. To provide a summary of gifts received by Elected Members and staff during the period 1 October 2017 to 31 March 2018.

Executive Summary
2. To complete the internal audit process it is recommended that the Audit and Risk Subcommittee receive the summary of gifts received by Elected Members and staff for the period 1 October 2017 to 31 March 2018.

Staff Recommendation:
That the report ‘Gift Register Update for Staff and Elected Members’ (Doc # 12354746 dated 19 April 2018) be received.

Background
3. At its meeting held on 2 June 2015 the Audit and Risk Subcommittee requested, as part of its internal audit update, that a summary of items listed on the Elected Members and staff Gift Register be reported to the Subcommittee on a six monthly basis.

4. As part of the financial audit process Elected Members were asked to declare whether they have or have not received any gifts. Declarations were received from all Elected Members.

5. Annually, staff with budget responsibility and Resource Use Directorate staff involved with resource consents are asked to confirm they have declared all gifts and personal benefits they may have received as a result of their work at the Council.
   a. All staff (apart from 3 on parental leave and one on long term leave) have confirmed that all gifts and personal benefits have been declared.

Summary of Gifts Received Elected Members
6. The table in Attachment 1 summarises the gifts received by Elected Members for the period 1 October 2017 to 31 March 2018.
Summary of Gifts Received Staff

7. The table in Attachment 3 summarises the gifts received by staff for the period 1 October 2017 to 31 March 2018.

Conclusion

8. To complete the internal audit process it is recommended that the Audit and Risk Subcommittee receive the summary of gifts received by Elected Members and staff for the period 1 October 2017 to 31 March 2018.

Attachment 1 Summary of gifts received by Elected Members (Doc # 4076281)
Attachment 2 Elected Members Gifts Policy (Doc # 2237035)
Attachment 3 Schedule of Gifts and Personal Benefits received by staff (Doc # 4076281)
<table>
<thead>
<tr>
<th>Date Gift Offered</th>
<th>Recipient</th>
<th>Person or organisation offering or providing the gift or hospitality</th>
<th>Details of gift or hospitality received</th>
<th>Estimated Value</th>
<th>Confirm no not in negotiations at time of receipt</th>
<th>Accepted / Declined</th>
<th>Reason for Accepting or Declining</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/11/2017</td>
<td>Alan Livingston</td>
<td>Hamilton City Council</td>
<td>Tickets to the Rugby x 2</td>
<td>$200</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Networking opportunity</td>
</tr>
</tbody>
</table>
Attachment 2

Elected Members Gifts Policy

Council seeks to promote the highest standards of ethical conduct amongst its members. Acceptance of gifts, hospitality and/or other personal benefits could be construed by the community as a bribe or perceived as an attempt to influence the recipient.

To ensure that Councillors meet and are seen to be meeting their ethical obligations, the following principles shall apply to the receipt of gifts:

1. Councillors may:
   1.1 Accept any gifts, hospitality or benefits that have an estimated value of less than $100 (including GST) on the condition that acceptance cannot be perceived as a means of influencing a Council decision making process.
   1.2 Take part in working meals and social occasions, in an appropriate manner.

2. Councillors may not:
   2.1 Solicit, demand or request, by any means, gifts, hospitality or benefits by virtue of their position.
   2.2 Accept any gifts, hospitality or benefits that have an estimated value of more than $100 (including GST), without recording the acceptance in the Council’s publicly available ‘Gifts and Invitations Register.
   2.3 Accept any offer of money under any circumstance.
   2.4 In any way, abuse the advantages of their position for personal gain.

Gifts that fall outside the policy are either to be refused, or where they can be, accepted and given to the Council. The Chairperson and Deputy Chairperson of Council can jointly authorise that gifts be accepted where they fall outside this policy and where it is reasonable in their view to do so.
<table>
<thead>
<tr>
<th>Date Offered</th>
<th>Recipient</th>
<th>Directorate</th>
<th>Person or organisation offering or providing the gift or hospitality</th>
<th>Details of gift or hospitality received</th>
<th>Est. Value</th>
<th>Confirm not in negotiations at time of receipt</th>
<th>Accepted/Declined</th>
<th>Reason for Accepting or Declining</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/10/2017</td>
<td>Blair Dickie</td>
<td>SAS</td>
<td>BoP RC</td>
<td>Book voucher</td>
<td>$25</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Meets all criteria in article 4 of Gifts and Personal Benefits Policy</td>
</tr>
<tr>
<td>31/10/2017</td>
<td>Rachael O'Donnell</td>
<td>RUD</td>
<td>Tonkin + Taylor</td>
<td>Client Function Prize Draw Dinner Voucher</td>
<td>$200</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>14/11/2017</td>
<td>Blair Dickie</td>
<td>SAS</td>
<td>Chinese Government water managers delegation</td>
<td>2x tea drinking bowls in bamboo boxes</td>
<td>?&lt;$50</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Not wanting to cause offence - principle of reciprocity applied with book on Waikato river given</td>
</tr>
<tr>
<td>22/11/2017</td>
<td>Kerry Jones</td>
<td>SAS</td>
<td>Peter Singleton</td>
<td>Lawrenson Group Voucher</td>
<td>$100</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>25/11/2017</td>
<td>Mike Garrett</td>
<td>Finance</td>
<td>KPMG</td>
<td>Tickets to Mary Poppins Dinner &amp; Show</td>
<td>$160</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>6/12/2017</td>
<td>Nadine Shaw</td>
<td>CE's Office</td>
<td>Orbit Travel</td>
<td>Lunch</td>
<td>$40</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Networking opportunity with key stakeholders</td>
</tr>
<tr>
<td>6/12/2017</td>
<td>Jocelyn Pope</td>
<td>CAS</td>
<td>Greenspace</td>
<td>Lunch</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Networking opportunity</td>
</tr>
<tr>
<td>6/12/2017</td>
<td>Bob Hamon</td>
<td>Finance</td>
<td>Orbit Travel</td>
<td>Lunch</td>
<td>$40</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Networking opportunity with key stakeholders</td>
</tr>
<tr>
<td>6/12/2017</td>
<td>Jonathan Caldwell</td>
<td>SAS</td>
<td>WasteMINZ</td>
<td>Prize for best written paper at conference</td>
<td>$1,000</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Winning best written paper at conference *Signed off by Director SAS</td>
</tr>
<tr>
<td>7/12/2017</td>
<td>Barry Campbell</td>
<td>RUD</td>
<td>Waste Management NZ Ltd</td>
<td>Gift basket</td>
<td>$60</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation. Distributed amongst Industry Team</td>
</tr>
<tr>
<td>10/12/2017</td>
<td>Shaun Plant</td>
<td>CE's Office</td>
<td>Heany &amp; partners</td>
<td>wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>12/12/2017</td>
<td>Mark Row</td>
<td>RUD</td>
<td>KTB Planning Ltd</td>
<td>Food &amp; Wine hamper</td>
<td>$100</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>Date Offered</td>
<td>Recipient</td>
<td>Directorate</td>
<td>Person or organisation offering or providing the gift or hospitality</td>
<td>Details of gift or hospitality received</td>
<td>Est. Value</td>
<td>Confirm not in negotiations at time of receipt</td>
<td>Accepted</td>
<td>Declined</td>
</tr>
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</tr>
<tr>
<td>12/12/2017</td>
<td>Martin Keep</td>
<td>RUD</td>
<td>R Weinberg</td>
<td>Bottle of wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>12/12/2017</td>
<td>Perry Empson</td>
<td>RUD</td>
<td>PS Environmental</td>
<td>Bottle of wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>13/12/2017</td>
<td>Suzanne O'Rourke</td>
<td>RUD</td>
<td>BBO</td>
<td>Wine Bottle</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18/12/2017</td>
<td>Martin Keep</td>
<td>RUD</td>
<td>PS Environmental</td>
<td>Bottle of wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18/12/2017</td>
<td>Hugh Keane/Infra structure Team</td>
<td>RUD</td>
<td>KTB Planning Ltd</td>
<td>One Xmas Hamper box of food, wine and beer</td>
<td>$100</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18/12/2017</td>
<td>Hugh Keane/Infra structure Team</td>
<td>RUD</td>
<td>BBO</td>
<td>Wine Bottle</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18/12/2017</td>
<td>Hugh Keane/Infra structure Team</td>
<td>RUD</td>
<td>Ormiston &amp; Associates</td>
<td>2 bottles wine, 6 bottles beer/cider (500ml) box of chocolates</td>
<td>$70</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18/12/2017</td>
<td>Hugh Keane/Infra structure Team</td>
<td>RUD</td>
<td>Wainui Consulting Ltd</td>
<td>12 bottles of beer (500ml)</td>
<td>$35</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18/12/2017</td>
<td>Hugh Keane/Infra structure Team</td>
<td>RUD</td>
<td>PS Environmental</td>
<td>7 bottles of wine</td>
<td>$70</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>19/12/2017</td>
<td>Vaughan Payne</td>
<td>CE’s Office</td>
<td>Project Lab NZ</td>
<td>1 x glass drinking water bottle</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>19/12/2017</td>
<td>Vaughan Payne</td>
<td>CE’s Office</td>
<td>Gavin Kemble Ryder Consulting Ltd</td>
<td>1 x bottle wine</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>19/12/2017</td>
<td>Tracey May</td>
<td>SAS</td>
<td>Gavin Kemble Ryder Consulting Ltd</td>
<td>1 x bottle wine</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>19/12/2017</td>
<td>Dean King</td>
<td>RUD</td>
<td>Asset Recruitment</td>
<td>1 x bottle wine &amp; 1 Asset calendar</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>19/12/2017</td>
<td>Brent Fletcher</td>
<td>RUD</td>
<td>GDC Consulting</td>
<td>1 x bottle of wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>Date Offered</td>
<td>Recipient</td>
<td>Directorate</td>
<td>Person or organisation offering or providing the gift or hospitality</td>
<td>Details of gift or hospitality received</td>
<td>Est. Value</td>
<td>Confirm not in negotiations at time of receipt</td>
<td>Accepted/Declined</td>
<td>Reason for Accepting or Declining</td>
</tr>
<tr>
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<td>----------------------------------</td>
</tr>
<tr>
<td>19/12/2017</td>
<td>Blair Dickie</td>
<td>SAS</td>
<td>T&amp;T</td>
<td>2 x metal cups</td>
<td>&lt;$50</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>20/12/2017</td>
<td>Matthew Davis</td>
<td>ICM</td>
<td>Project Lab NZ</td>
<td>1 x glass drinking water bottle</td>
<td>$15</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship at Xmas</td>
</tr>
<tr>
<td>20/12/2017</td>
<td>Matthew Davis</td>
<td>ICM</td>
<td>Tonkin and Taylor</td>
<td>2 x metal cups</td>
<td>$25</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship at Xmas</td>
</tr>
<tr>
<td>22/12/2017</td>
<td>John Crane</td>
<td>CAS</td>
<td>AbsoluteIT</td>
<td>1 x bottle wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>22/12/2017</td>
<td>Bruce McAuliffe</td>
<td>SAS</td>
<td>Rob van Voothuysen</td>
<td>1 x bottle of wine</td>
<td>$50</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>22/12/2017</td>
<td>John Crane</td>
<td>CAS</td>
<td>Spark Digital</td>
<td>Portable Speaker</td>
<td>$30</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>15/12/2017</td>
<td>Sarah Lealand</td>
<td>ICM</td>
<td>Project Lab NZ</td>
<td>1 x glass drinking water bottle</td>
<td>$15</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship at Xmas</td>
</tr>
<tr>
<td>20/12/2017</td>
<td>Adam Munro</td>
<td>ICM</td>
<td>Asset Recruitment</td>
<td>Bottle of Wine and Calendar</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>20/12/2017</td>
<td>Adam Munro</td>
<td>ICM</td>
<td>Carter Contractors</td>
<td>Bottle of Wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>21/12/2017</td>
<td>Shaun Plant</td>
<td>CE’s Office</td>
<td>Jim Milne</td>
<td>wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>8/01/2018</td>
<td>Vaughan Payne</td>
<td>CE’s Office</td>
<td>No company details</td>
<td>2 x tins of sweets and biscuits</td>
<td>$20</td>
<td>not in negotiations</td>
<td>accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>16/01/2018</td>
<td>Bob Hamon</td>
<td>Finance</td>
<td>FleetSmart</td>
<td>Waikato Sports Awards and Dinner</td>
<td>$70</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship</td>
</tr>
<tr>
<td>22/01/2018</td>
<td>Vaughan Payne</td>
<td>CE’s Office</td>
<td>Te Awa Lakes Development</td>
<td>Asked to attend Sevens event in Hamilton</td>
<td>$100</td>
<td>Conflict</td>
<td>Declined</td>
<td>Declined not appropriate according to policy</td>
</tr>
<tr>
<td>25/01/2018</td>
<td>Mike Garrett</td>
<td>Finance</td>
<td>Deloitte</td>
<td>Dinner and charity auction night with guest speaker</td>
<td>$150</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship and networking opportunity</td>
</tr>
<tr>
<td>25/01/2018</td>
<td>Andrew Muller</td>
<td>Finance</td>
<td>Deloitte</td>
<td>Dinner and charity auction night with guest speaker</td>
<td>$150</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td>Token of appreciation for client relationship and networking opportunity</td>
</tr>
<tr>
<td>Date Gift Offered</td>
<td>Recipient</td>
<td>Directorate</td>
<td>Person or organisation offering or providing the gift or hospitality</td>
<td>Details of gift or hospitality received</td>
<td>Est. Value</td>
<td>Confirm not in negotiations at time of receipt</td>
<td>Accepted</td>
<td>Declined</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------</td>
<td>-------------</td>
<td>---------------------------------------------------------------------</td>
<td>----------------------------------------</td>
<td>------------</td>
<td>-----------------------------------------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>1/02/2018</td>
<td>Nick Ollington &amp; Anna Bolton</td>
<td>CAS</td>
<td>Human Synergistics</td>
<td>2 x Tickets to HRINZ Awards</td>
<td>$200 per ticket</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>2/02/2018</td>
<td>Vaughan Payne</td>
<td>CE’s Office</td>
<td>Hamilton City Council</td>
<td>Sevens tickets</td>
<td>$140</td>
<td>not in negotiations</td>
<td>accepted</td>
<td></td>
</tr>
<tr>
<td>2/02/2018</td>
<td>Mike Garrett</td>
<td>Finance</td>
<td>Hamilton City Council</td>
<td>Sevens tickets</td>
<td>$140</td>
<td>not in negotiations</td>
<td>accepted</td>
<td></td>
</tr>
<tr>
<td>3/02/2018</td>
<td>Nicola Crisp</td>
<td>CAS</td>
<td>Fusion Print</td>
<td>Sevens ticket x 1</td>
<td>$100</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>3/02/2018</td>
<td>Wendy Valois</td>
<td>CAS</td>
<td>Fusion Print</td>
<td>Sevens ticket x 2</td>
<td>$200</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>7/02/2018</td>
<td>Adam Munro</td>
<td>ICM</td>
<td>Placemakers</td>
<td>Oil skin vest (won by free raffle)</td>
<td>$100</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>12/02/2018</td>
<td>WRC Staff</td>
<td>Council</td>
<td>Classic Events</td>
<td>ZURU Nightglow VIP Hospitality RSVP - 3 x family passes</td>
<td>$100</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>12/02/2018</td>
<td>Ghassan Basheer</td>
<td>ICM</td>
<td>Tonkin and Tylor Function</td>
<td>Client Function Prize Draw Dinner Voucher</td>
<td>$200</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>26/02/2018</td>
<td>Mali Ahipene</td>
<td>CAS</td>
<td>R van Voorthuysen</td>
<td>Bottle of wine</td>
<td>$20</td>
<td>Not in negotiations</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>1/03/2018</td>
<td>John Crane</td>
<td>CAS</td>
<td>Infor</td>
<td>Complimentary ticket &amp; accommodation to Infor Executive Summit in Singapore</td>
<td>$600</td>
<td>Conflict</td>
<td>Declined</td>
<td></td>
</tr>
<tr>
<td>15/03/2018</td>
<td>Mark Donnelly</td>
<td>CAS</td>
<td>Eagle Technology NZ Ltd</td>
<td>Café lunch for 4 staff</td>
<td>$100</td>
<td>Conflict</td>
<td>Declined</td>
<td></td>
</tr>
</tbody>
</table>
Report to Audit and Risk Committee

Date: 3 May 2018
Author: Sarah Jones, Senior Legal Advisor
Authoriser: Karen Bennett, Manager Chief Executive’s Office
Subject: Risk Management Activity and Key Projects Update
Section: A (Committee has delegated authority to make decision)

Purpose

1. To update the Audit and Risk Committee on Waikato Regional Council’s (council’s) risk management activities and key project risks.

Executive Summary

2. The report provides an update on the following:
   - Corporate risks and associated mitigation actions;
   - Health and safety;
   - Annual Leave Balances;
   - Legislative compliance;
   - Feedback and complaints;
   - Office of the Auditor General – Regional Council Progress in Managing Impacts on Freshwater Quality 2017;
   - Office of the Auditor General – Hauraki Gulf Marine Spatial Plan process;
   - Council implementation of National Environmental Standard (NES) for drinking water (Havelock North inquiry response);
   - PFAS (per- & poly-fluoroalkyl substances);
   - Key Project Updates;
     - Healthy Rivers/ Wai Ora;
     - Healthy Rivers/Wai Ora (Implementation).

Staff Recommendation:
That the report “Risk Management Activity and Key Projects Update” (Doc# 11943341 dated 3 May 2018) be received.
Risk Management Activity Update

Background

3. Council’s risk management framework is used for risk identification, analysis, and evaluation and monitoring at corporate, directorate and project levels.

4. The council regularly reviews the organisational risk profile to provide governance oversight and direction. The identified risks and mitigation actions are monitored by staff and reported quarterly to the Audit and Risk committee.

Review of Residual Risk Score for CORP05 Risk (Health and Safety)

5. At the March meeting the Committee queried why the residual risk score for CORP05 was rated medium when it should be low based on the type of work council does and the low numbers of reported near misses and incidents. This issue was discussed at the Risk Forum on 2 May 2018 and it was agreed that until all health and safety initiatives are implemented (such as the review of contractor management) the residual risk to council is still medium.

Fraud Workshop

6. KPMG hosted a fraud risk assessment workshop with key council staff on 18 April 2018. During the workshop staff identified current fraud risks and associated controls. This information helped inform the review of the Fraud Policy (in this agenda) and will be used to develop the council’s Fraud Risk Register.

Mitigation actions

7. There are mitigation actions for each corporate risk. For the last quarter: 3 actions have been completed, 17 are on track, 5 actions have a new timeframe, and there is 1 new action. These changes are reported in greater detail below, with all actions colour coded in the following tables.
### WAIKATO REGIONAL COUNCIL CORPORATE RISK REGISTER SUMMARY

<table>
<thead>
<tr>
<th>RISK NO</th>
<th>RISK</th>
<th>CURRENT RISK SCORE</th>
<th>RESIDUAL RISK SCORE</th>
<th>TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP01</td>
<td>WRC is unable to provide the necessary emergency response internally and externally in the event of natural hazard, pollution or biosecurity events. <strong>Statement:</strong> WRC accepts a medium risk rating with all reasonable controls in place, recognising that the costs of implementing further controls across the region would be prohibitive.</td>
<td>Medium</td>
<td>Medium</td>
<td>↑ Constant vigilance required in light of climate change impacts and biosecurity incursion risk.</td>
</tr>
<tr>
<td>CORP02</td>
<td>Non-compliance with legislation resulting in possible reputational damage, judicial reviews of council decisions, appointment of commissioners, Ombudsman enquires, or legal action. <strong>Statement:</strong> WRC has a low tolerance for risk in regard to its legislative obligations, recognising that as an effective and responsible public body, WRC must endeavour to keep apprised of changing legislation and at all times must meet its legislative obligations. Only temporary, inconsequential breaches will be tolerated.</td>
<td>Medium</td>
<td>Low</td>
<td>↓ The residual risk has decreased due to better/timely information to ensure WRC is abreast of legislative changes.</td>
</tr>
<tr>
<td>CORP03</td>
<td>Ineffective partnership relationships or stakeholder engagement or public relations leading to an inability to work with others to achieve strategic objectives and loss of confidence in service delivery. <strong>Statement:</strong> WRC has a high risk rating, The organisation has a responsibility to maintain mutually beneficial relationships with partners and stakeholders while recognising there are inherent risks in any relationship that are outside the council’s control.</td>
<td>High</td>
<td>High</td>
<td>↓ Risk expected to decrease following implementation of key strategies and initiatives are implemented.</td>
</tr>
<tr>
<td>CORP04</td>
<td>Inability to shape a positive organisational culture leading to poor employee engagement, performance and customer service. <strong>Statement:</strong> WRC accepts a low level of risk recognising positive, engaged and capable people are central to the organisation’s ability to meet its strategic objectives.</td>
<td>High</td>
<td>Low</td>
<td>↓ Risk expected to decrease following the implementation of initiatives.</td>
</tr>
<tr>
<td>CORP05</td>
<td>Injury or illness to staff, contractors or others in the workplace as a result of an unsafe, unhealthy work environment and facilities. <strong>Statement:</strong> WRC’s lowest risk appetite relates to health and safety. WRC is committed to reducing to reasonably practicable levels all identified health safety risks and meeting all its obligations under health and safety legislation.</td>
<td>High</td>
<td>Medium</td>
<td>↓ Risk decreases as leadership and organisational culture initiatives are implemented.</td>
</tr>
<tr>
<td>CORP06</td>
<td>Information technology strategy, systems or infrastructure fail or are inadequate, resulting in an inability to deliver key services or to support current and future business needs. <strong>Statement:</strong> WRC accepts a medium risk environment but aspires to a lower risk environment within quality/time/cost parameters appropriate for a local authority.</td>
<td>High</td>
<td>Medium</td>
<td>↓ Risk will decrease following the implementation of IT audit findings and BCP requirements.</td>
</tr>
<tr>
<td>CORP07</td>
<td>Ineffective planning processes impact on the Council’s ability to deliver on projects outlined in the LTP. <strong>Statement:</strong> WRC accepts a medium risk environment but aspires to a lower risk environment within quality/time/cost parameters.</td>
<td>High</td>
<td>Medium</td>
<td>↑ In an environment of increasing community expectations and rising construction and compliance costs council must ensure effective planning and prioritisation.</td>
</tr>
<tr>
<td>CORP08</td>
<td>Inadequate management of operational processes may lead to misinformed or inappropriate decision making or overspend (includes funding of third parties). <strong>Statement:</strong> WRC accepts and operates in a low residual risk environment. Council has clear strategic, reporting and operations objectives and a prioritisation process to ensure public money is applied effectively.</td>
<td>High</td>
<td>Low</td>
<td>↓ Risk will decrease due to implementation of key organisational strategies and processes</td>
</tr>
<tr>
<td>CORP09</td>
<td>Misuse of data externally or internally unintentionally or through criminal intent could expose WRC to financial, reputational and legal risk as well as damage to stakeholder relationships. <strong>Statement:</strong> WRC accepts that it operates in a medium risk environment but aspires to a lower risk environment within quality/time/cost parameters.</td>
<td>High</td>
<td>Medium</td>
<td>↓ Risk will decrease due to implementation of key strategies in place</td>
</tr>
<tr>
<td>CORP10</td>
<td>Failure to deliver on the policies and actions detailed in the Waikato Regional Policy Statement resulting in reputational damage, environmental harm, and costs to the community. <strong>Statement:</strong> WRC has a low tolerance for risk in regard to its resource management role.</td>
<td>High</td>
<td>Medium</td>
<td>New key risk controls are currently managed at directorate level and are being reviewed corporately</td>
</tr>
</tbody>
</table>
8. **Corporate Risk Register – List of Mitigation Actions**

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 1.1</td>
<td>Marine Organism Pathway Management Plan (Regional Councils)</td>
<td>Patrick Whaley</td>
<td>The current proposed completion date is March 2020</td>
<td>New timeframe</td>
<td>Waikato, Northland, Auckland, and Bay of Plenty Regional Councils are working collaboratively on the project. WRC is currently working on its requirements to input into the process for CE sign off.</td>
</tr>
<tr>
<td>CORP 1.2</td>
<td>National Biosecurity Response Preparedness (including Foot and Mouth Preparedness Programme) \ WRC are participating in all stages of this work with MPI.</td>
<td>Patrick Whaley</td>
<td>Ongoing</td>
<td>On track</td>
<td>The Regional section is currently assigning roles and responsibilities to national biosecurity responses (this is in its final stages). WRC staff undertake training as required and are on call for response if the need arises.</td>
</tr>
<tr>
<td>CORP 1.3</td>
<td>Inter-Regional Border Incursions Surveillance Programme.</td>
<td>Patrick Whaley</td>
<td>Ongoing</td>
<td>On track</td>
<td>WRC is working with neighbouring regions and MPI to manage biosecurity risk outside the region e.g. velvetleaf and kauri dieback issues.</td>
</tr>
<tr>
<td>CORP 1.4</td>
<td>Regional Natural Hazards Strategy (Phase 2 – external)</td>
<td>Rick Liefting</td>
<td>Ongoing</td>
<td>On track</td>
<td>Working with SAS and Regional Plan/Regional Coastal Plan reviews is now our new BAU.</td>
</tr>
<tr>
<td>CORP 1.5</td>
<td>Emergency Response Framework</td>
<td>Rick Liefting</td>
<td>30/06/2018</td>
<td>New timeframe</td>
<td>A new Senior Emergency Management Officer has recently been appointed and this person will now oversee the completion of the Framework and also facilitate the implementation phase.</td>
</tr>
<tr>
<td>CORP 1.6</td>
<td>Create a Funding Policy for Emergency Response</td>
<td>Lee Hazlewood</td>
<td>30/06/2018</td>
<td>On track</td>
<td>An initial scoping was held with Finance in April 2018. CDEM and Finance will work together to develop this policy.</td>
</tr>
</tbody>
</table>

This Funding Policy is to ensure that appropriate financial arrangements are in place to support an emergency response including financial delegations and the limits of expenditure for key emergency response personnel, financial reporting to council and emergency procurement arrangements.
### CORP02: Non-compliance with legislation resulting in possible reputational damage, judicial reviews of council decisions, appointment of commissioners, Ombudsman enquiries, or legal action

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 2.1</td>
<td>Conduct six monthly ComplyWith surveys in all Directorates</td>
<td>Sarah Jones</td>
<td>Ongoing</td>
<td>On track</td>
<td>Survey completed for the period 1 October 2017 to 31 March 2018.</td>
</tr>
<tr>
<td>CORP 2.2</td>
<td>Monthly Legislation updates to ELT</td>
<td>Mali Ahipene</td>
<td>Ongoing</td>
<td>On track</td>
<td>Monthly updates have been provided to ELT and the same information is then shared with all staff in the organisation wide publication.</td>
</tr>
</tbody>
</table>

### CORP03: Ineffective partnership relationships stakeholder engagement or public relations leading to an inability to work with others to achieve strategic objectives and loss of confidence in service delivery

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 3.1</td>
<td>Implementation of Customer Information Management System</td>
<td>Nicola Chrisp</td>
<td>30/06/2018</td>
<td>Completed</td>
<td>Customer project finished on time and within budget. Moving to communication and education phase - ongoing.</td>
</tr>
<tr>
<td>CORP 3.2</td>
<td>Implementation of Customer Engagement Strategy</td>
<td>Nicola Chrisp</td>
<td>Ongoing</td>
<td>On track</td>
<td>New customer engagement strategy under development. New Customer Services Lead started in April 2018 and the focus of this role will be on embedding good customer service practice and processes across the organisation.</td>
</tr>
<tr>
<td>CORP 3.4</td>
<td>Completion of the Maori Engagement Framework</td>
<td>Neville Williams</td>
<td>27/03/2018</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>CORP 3.5</td>
<td>LGNZ Excellence Programme Improvement Plan Implementation</td>
<td>Tracey Powrie</td>
<td>Ongoing</td>
<td>New action</td>
<td>Improvement plan was approved by Council in February. All actions identified are in progress.</td>
</tr>
</tbody>
</table>
**CORP04: Inability to shape a positive organisational culture leading to poor employee engagement, performance and customer service**

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 4.1</td>
<td>Implementation of Realising our Potential project to develop and deliver a leadership development programme and organisational culture roadmap.</td>
<td>Nick Ollington</td>
<td>Phase one 30/08/2018</td>
<td>On track</td>
<td>Leadership Development Programme underway, with positive early feedback. Culture work under banner of 'Being Our Best Initiative' launched at Easter employee event.</td>
</tr>
</tbody>
</table>

**CORP05: Injury or illness to staff, contractors or others in the workplace as a result of an unsafe, unhealthy work environment and facilities**

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 5.1</td>
<td>Implementation of Asbestos Report Process Review actions.</td>
<td>Nick Ollington</td>
<td>1/03/2018</td>
<td>Completed</td>
<td>KPMG (David Sutton) will carry out risk training with key Council staff on 21 May 2018.</td>
</tr>
<tr>
<td>CORP 5.2</td>
<td>Enterprise Risk Training</td>
<td>Karen Bennett</td>
<td>21/05/2018</td>
<td>New timeframe</td>
<td></td>
</tr>
<tr>
<td>CORP 5.3</td>
<td>Drive continuous improvement through the implementation and monitoring of the Directorate Specific Action Plans.</td>
<td>Nick Ollington</td>
<td>30/06/2018</td>
<td>On track</td>
<td>All directorates have quarterly actions in place, these have aligned to the Health and Safety Management System and are being regularly monitored and reported on.</td>
</tr>
</tbody>
</table>
### CORP06: Information technology strategy, systems or infrastructure fail or are inadequate, resulting in an inability to deliver key services or to support current and future business needs

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 6.1</td>
<td>Strategic Information Systems Plan implementation</td>
<td>John Crane</td>
<td>Ongoing</td>
<td>On track</td>
<td>IS decisions and investments are made in line with the direction and guiding principles set in the IS Strategy and the core aims of the strategy are being achieved.</td>
</tr>
<tr>
<td>CORP 6.2</td>
<td>Corporate Systems Replacement Project - Business Case</td>
<td>John Crane</td>
<td>Potential to be signed off in December 2018</td>
<td>On track</td>
<td>The EOI has been released. Other inputs to the Business Case are progressing as planned.</td>
</tr>
</tbody>
</table>

### CORP07: Ineffective planning processes impacts on Council’s ability to deliver on projects outlined in the LTP

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 7.1</td>
<td>Integrated Business Planning and Budgeting (IBP&amp;B) Framework implementation</td>
<td>Nicole Hubbard</td>
<td>30/06/2018</td>
<td>On track</td>
<td>The business planning template has been developed and the content is being pulled together in a modular approach throughout the development of the LTP.</td>
</tr>
<tr>
<td>CORP 7.2</td>
<td>Project Portfolio Management System implemented and operational.</td>
<td>Tracey Powrie</td>
<td>Ongoing for progression of the use of the tool.</td>
<td>On track</td>
<td>pSoda as the organisations project portfolio management tool has been implemented. As projects are initiated they are setup in the tool. A plan for the enhancement of the tool and its use is in place within the PMO programme plan.</td>
</tr>
</tbody>
</table>

### CORP08: Inadequate management of operational processes may lead to misinformed or inappropriate decision making or overspend (includes funding of third parties)

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 8.1</td>
<td>Directorates to continue to map and regularly review key Directorate and organisational business processes (Promapp and continuous improvement).</td>
<td>Tracey Powrie</td>
<td>Ongoing</td>
<td>On track</td>
<td>Directorates continue to map, and review, key business processes as priorities and resources allow.</td>
</tr>
<tr>
<td>COPR 8.2</td>
<td>Enhancement of the project management framework to support decision making i.e. governance, reporting (including financials).</td>
<td>Tracey Powrie</td>
<td>30/06/2019</td>
<td>New timeframe</td>
<td>The project management framework continues to be enhanced with the current focus at present on governance and reporting. Next areas of focus in includes programme management, change management and benefits realisation. This work is ongoing through 2018/19.</td>
</tr>
</tbody>
</table>
CORP09: Misuse of data externally or internally, unintentionally or through criminal intent could expose WRC to financial, reputational and legal risk as well as damage to stakeholder relationships

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>COPR 9.1</td>
<td>Establish internal centre of excellence around data collection, storage, accessibility, quality assurance and analysis for environmental monitoring.</td>
<td>Tracey May</td>
<td>31/12/2018</td>
<td>On track</td>
<td>Data collection and analysis are well advanced. There is further work to do on accessibility and quality assurance which is underway.</td>
</tr>
</tbody>
</table>

CORP10: Failure to deliver on the policies and actions detailed in the Waikato Regional Policy Statement resulting in reputational damage, environmental harm, and costs to the community

<table>
<thead>
<tr>
<th>No.</th>
<th>Mitigation Actions</th>
<th>Owner</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 10.1</td>
<td>A report to Audit and Risk Committee showing progress against the Regional Policy Statement will be updated twice a year.</td>
<td>Tracey May</td>
<td>Ongoing</td>
<td>On track</td>
<td>Next update - June 2018. A business intelligence dashboard was created for the Environmental and Services Performance Committee, looking at incident response data. The dashboard demonstrated some of the benefits of improved access and visibility of data, and the insights that can be derived by exploring information through interactive charts and maps. This dashboard can be refreshed as required to gain an up to date view of incident response information.</td>
</tr>
</tbody>
</table>

Health and Safety

Background

9. The health and safety dashboard is reported to council each month. It is designed to enable council to exercise due diligence with regard to health and safety governance and provides a general summary of health and safety risk and activities within council.

Written Report - Dashboard for March 2018

10. Notifications to WorkSafe NZ – there were no notifications to WorkSafe in March 2018.

11. Critical Risks - Review of council critical risks continues to progress. The Health and Safety Governance Group (HSGG) reviewed a further risk in March, ‘struck by moving vehicles/equipment’. The dashboard provides a table showing the organisational critical risks, the raw (pre control), and residual (post control) risk scoring, and the date that the risk was last reviewed.

12. Lost Time Injuries (LTI) – There were no LTIs reported for March.

13. Lost time Injuries (YTD) – There are three lost time injuries (total of 25 days lost time) year to date.
14. **Health and Safety Summary Chart (pyramid)** - In March there were 7 incidents that did not require treatment. There were 4 bee/wasp stings, 1 wrist strain while moving boxes, one minor electric shock from a laptop cord, and one minor vehicle incident.

15. **Near Miss Events versus All Other Events** – Near-miss reporting has remained reasonably constant. Near-miss reporting provides an opportunity for improvement prior to an event occurring.

16. **Sick Leave Taken** – In March sick leave dropped to 2.0, below the target benchmark of 3.0 to 5.0. Note that in this report the data has been adjusted to more accurately reflect sickness absenteeism. The data now excludes sick leave donated to or utilised from the council sick leave bank and sick leave taken as a recreation day. The rolling average for the year is 5.0 - within the target benchmark range.

17. **Pending Events** - There were 5 events in the pending register when the report was run at the end of the month. The events held in the pending event register for greater than one week has increased from 14.6% in February to 16.2% in March.

18. **Event Corrective Actions (excl. Near Miss Corrective Actions)** – In March there were a total of 12 events reported, 9 of the 12 events have had corrective actions assigned of which 7 are completed, 1 is underway and 1 not started. No corrective actions are overdue for completion.

19. **Near Miss Corrective Actions** – In March there were 2 near miss reports; 1 event has had the corrective actions completed and 1 near miss event is still underway. No corrective actions are overdue.

20. **Health and Safety Training FYTD** - A range of organisational health and safety training is available and advertised on the workforce development calendar. Some course dates for 2018 are yet to be confirmed.

21. **Health and Safety Charter** – the Charter is reviewed and updated every 2 years. The only change made by the H&S Governance Group is to the renewal dates. This is now ready for resigning by the Chief Executive and Chairperson.

22. **Audits FYTD** - See internal/external audits table for details of completed audit recommendations.

**Annual Leave Management**

**Background**

23. **Council annual leave policy provides for up to 6 weeks’ annual leave balance being held.**

24. **Regular monitoring of annual leave balances has been in place since August 2016 to ensure balances do not accrue to excessive levels. A reduction to 20 or less staff with balances above 280 hours has been targeted.**
Current State

25. The table below sets out council annual leave balances as at 26 April 2018.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Weeks + 320 Hours +</td>
<td>24</td>
<td>21</td>
<td>15</td>
<td>19</td>
<td>23</td>
<td>12</td>
<td>17</td>
<td>-7 -29%</td>
</tr>
<tr>
<td>7 Weeks + 280 Hours +</td>
<td>41</td>
<td>44</td>
<td>30</td>
<td>43</td>
<td>43</td>
<td>27</td>
<td>27</td>
<td>-14 -34%</td>
</tr>
</tbody>
</table>

26. There are 6 employees (2 in the Resource Use Directorate and 4 in the Integrated Catchment Management Directorate) with annual leave balances in excess of 400 hours.

27. The reduction in the number of employees holding leave balances of 280 hours plus noted in February has been maintained in the April data. 5 employees have accrued sufficient leave during this time to take them to balances of 320 hours or more. This data does not include all leave taken during the April school holidays.

28. Below is a graph showing annual leave taken in hours. The graph shows the seasonality of leave usage, with a spike in January then again in July as expected during school holidays. The data is consistent in 2017 and 2018, noting that the April data at the time this report was created is for a part month and does not include all of the school holiday period for April.

29. **Annual leave taken by Month (in hours) for 2017**

![Graph showing annual leave taken by month for 2017](image)

Annual leave Taken in Blocks

30. The table below shows a breakdown of leave taken in blocks for Section Managers and ELT. From the data extracted we are only able to see leave taken in blocks not whether they are consecutive blocks of leave. Public Holidays in particular are problematic, as a week of leave when a public holiday falls interrupts the leave block, which can have a distorting effect on the data. Data has been gathered since July 2017.
<table>
<thead>
<tr>
<th>Block of leave taken</th>
<th>Count of annual leave taken in blocks (Section Managers and ELT) as at 11 April 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than a fortnight</td>
<td>20</td>
</tr>
<tr>
<td>Full fortnight</td>
<td>2</td>
</tr>
<tr>
<td>Over a week</td>
<td>20</td>
</tr>
<tr>
<td>Full week</td>
<td>24</td>
</tr>
<tr>
<td>Less than a week</td>
<td>209</td>
</tr>
</tbody>
</table>

31. All Section Managers have taken annual leave since July 2017. All Section Managers have taken leave in a block of a week or more.

32. The consistent and ongoing focus on leave utilisation is having a gradual effect on the number of employees holding high leave balances. However a small number of employees hold high leave balances and these are taking some time to reduce. Continued focus on leave balances will remain necessary for the foreseeable future.

**Legislative Compliance (ComplyWith)**

33. Council completed a full legislative compliance round for the period 1 October 2017 to 31 March 2018 (inclusive).

34. The results of the ComplyWith survey are outlined below.

**Survey Results**

35. Results from the legislative compliance reporting round for the period 1 October 2017 to 31 March 2018 (inclusive). Results show 95.61% full compliance and 2.22% partial compliance (as outlined in the graph below).

36. Each respondent was asked to report on the legislative compliance obligations relevant to their role at council. Compliance obligations were allocated to 96 employees with 101 Acts and Regulations being covered. 93 out of 96 staff responded to the survey.

37. Reporting respondents were asked to rate compliance at one of three levels:

- Full = the obligation arose and was fully complied with;
- Partial = the obligation arose, there was more than zero compliance but not full compliance (explanation mandatory); or
- Zero = the obligation arose, but there was no compliance at all with it (explanation mandatory).

38. The graph below summarises the full and partial compliance results (there was no zero compliance).
39. Responses of “Partial Compliance” required additional information about whether the non-compliance had been resolved, and if it had not been resolved, whether there is any plan or course of action underway to resolve the non-compliance.

40. In terms of obligations that were answered as “partial compliance” most of these had corrective actions noted as “resolved” or “action plans in place”. Some responses were also recorded incorrectly as “partial compliance” when they should have been “full compliance” with a corresponding explanation or “obligation did not arise”, this will be discussed with the staff concerned and further education will be provided to all staff on responding to the survey. Examples of “partial compliance” and staff responses include:

- Where an employee may fall more than 3 metres at a workplace, suitable means of preventing any falls must be provided (reg 21 Health and Safety in Employment Regulations 1995). Tokoroa Air Quality site is above 3m. *Action Plan – specialist advice is being sought to advise best practice to manage risk. Also hoping to move the sensor to eliminate the risk.*

- Has council recognised and observed national environmental standards as required by section 44A Resource Management Act 1991? *Regional Plan needs to be updated to give effect to NES Plantation Forestry, NES for human drinking water and for Air quality. These matters will be addressed in review of the Waikato Regional Plan and Coastal Plan. Changes to the Waikato Regional Plan as a result of the NES Plantation Forestry are being made in April 2018.*

- Standards issued by the Chief Archivist must be complied with (ss 27 and 28 Public Records Act 2005). *Largely compliant but our policy and standards are overdue for review and need to be updated to ensure all requirements of the 2016 standard issued by the Chief Archivist are addressed. Action plan in place – New IT/IM policies are about to be launched and a review of the Information Management standards and guidelines to underpin the policy has started. Once these are refreshed and approved an audit of compliance will be carried out.*

41. Reporting respondents could also answer:

- ‘Obligation Did Not Arise’ if the circumstances giving rise to a compliance obligation did not occur during the period covered by the reporting round; or
‘Reallocate This Obligation’ if they believed the obligation:
  o should be answered by someone else at council; or
  o does not apply to council’s operations or for some other reason does not represent a potentially significant compliance risk at council.

42. The graph below provides an overview of all responses to the compliance obligations:

![Graph showing compliance responses]

**"Reallocate This Obligation"**

43. Whilst the graph shows 28.59% (103 questions) as “Reallocate This Obligation”, 93 of these questions were answered by another staff member(s). In terms of the remaining 10 questions, 9 of these are explained below under the “not completed” section and one question will be removed going forward as it is not relevant to council.

**“Not Completed”**

44. As outlined above the survey was sent to 96 staff. 54 obligations were not answered by 3 staff, 45 of these obligations were answered by another staff member, leaving 6 questions unanswered in relation to the Land Transport Management Act 2003 and 3 questions unanswered in relation to the Building Act 2004 (finance – building levy).

45. The Senior Legal Advisor followed up staff in respect of the 9 unanswered questions referred to above and the responses to these obligations were either “full compliance” or “obligation did not arise”.

**Health and Safety (Hazardous Substances) Regulations 2017 and ComplyWith Survey**

**Background**

46. On 1 December 2017, the law applying to hazardous substances was changed so that hazardous substances are now covered by the law in two ways:

  - The use of hazardous substances in a workplace is now covered by health and safety law – under the Health and Safety at Work Act 2015 and the new Health and Safety at Work (Hazardous Substances) Regulations 2017 (‘the Regulations’). WorkSafe New Zealand is the Regulator.
- Other aspects of hazardous substances (for example disposal of hazardous substances and approvals to manufacture or import hazardous substances) are still dealt with by the Hazardous Substances and New Organisms Act 1996 ('HSNO'). The Environmental Protection Authority (EPA) is the Regulator.

47. Some key obligations under the Regulations include:

- An up to date inventory must be kept of all hazardous substances and hazardous waste in the workplace and must be readily accessible.
- The current safety data sheet must be obtained for each hazardous substance and must be readily accessible.
- From 1 June 2018 all hazardous substance workers require training (council staff currently working with hazardous substances are already appropriately certified to handle those chemicals).

WRC Compliance

48. WRC has carried out the following steps to ensure compliance with the Regulations:

- Stocktake of all substances, signage, chemicals (quantities) and storage units at all offices and depots;
- Substances details have been entered into Vault. This has included current Safety Data Sheets (SDS), quantities on site, location, hazard classifications and HSNO Approval number (where available);
- The data entered into Vault has been used to generate substance inventories for each site;
- An inventory for each of the Catchment offices (Paeroa, Whitianga, Taupo, Te Aroha, Kerepehi and Tuakau) has been compiled as these usually store higher quantities of substances than offices and there was an opportunity to determine accurate quantities used during the spraying season;
- Inventory data has been input into the WorkSafe Substance Calculator to determine the controls needed at each site. This is based on hazard classifications and location quantity (e.g. trigger values);
- Condensed versions of SDS have been produced for commonly used substances to assist users;
- Identification of training requirements as informed by the inventory based on the hazard quantities/categories.

Actions going forward include:

- Completing a physical inventory of the substances at Grey Street with Environmental Monitoring entering this into Vault and using Vault to complete an inventory and then the WorkSafe substance calculator to determine the controls required, this will be completed by the end of May 2018;
- Continual development of controls and identification of any training requirements.

ComplyWith Survey

49. Some obligations in the Regulations have transferred directly from the HSNO regime and these have been automatically allocated to the same role previously allocated to in the survey. An assessment has been carried out to determine what parts of the Regulations apply to council and these new obligations will be assigned to the appropriate council roles for the next survey period.
Next reporting cycle

50. The next ComplyWith survey will commence in October 2018 and will capture the period 1 April 2018 to 30 September 2018. The Senior Legal Advisor will put together a “Frequently Asked Questions” document to assist staff with the next survey round.

Feedback and Complaints

51. As requested by the Committee the feedback and complaints report now separates out the complaints received in respect of passenger transport and provides a breakdown of what these complaints relate to (Refer to Appendix 2).

52. Further work is being carried out by staff to provide enhanced reporting to the Committee in this area.

Update on Office of Auditor General Review – Regional Council Progress in Managing Impacts on Freshwater Quality 2017

53. As reported to the last meeting staff from the Office of the Auditor General (OAG) were on-site for a week in early December 2017 gathering further evidence and conducting interviews with key staff. The OAG staff met with Chair Livingston and other identified staff members. They were particularly interested in talking with field staff, rather than those with managerial oversight.

54. Since then OAG staff have been in contact with council staff to outline high level findings from across the four regional councils visited. The OAG have said that a draft report will be released ‘in confidence’, probably later in May 2018 for staff to provide comment.

OAG – Hauraki Gulf Marine Spatial Plan Process

55. In addition to the freshwater focus the OAG have also identified that they will undertake an audit on the Hauraki Gulf Marine Spatial Plan (Seachange) development process.

56. The first contact with OAG on this project was in early March 2018 where initial conversations were undertaken with OAG identified elected representatives and Iwi members. Staff have been identified by OAG for more in-depth interviews, these will be undertaken in early to mid-May 2018.

Council implementation of National Environmental Standard (NES) for drinking water (Havelock North inquiry response)


58. A project structure has been set up to coordinate council’s activities for managing human drinking water and to ensure council meets its statutory responsibilities relating to drinking water source protection.

59. In preparation for legislative change, staff are scoping an independent review to provide assurance that council is meeting its obligations under the existing NES and to identify any gaps in policy, monitoring and regulation in light of the findings of the Havelock North inquiry. The review will include an assessment of:

a. the process undertaken when considering discharge and water take applications where the NES applies, and how this process demonstrates compliance with the NES requirements.

b. whether council provides sufficient and timely information for external customers’ needs in order for them to fulfil their obligations under the NES.
b. the efficacy of existing regional plan rule(s) including those recommended as part of Proposed Plan Change 1, to implement council’s functions under the NES to protect drinking water at source.

c. the current approach and provisions within the Regional Plan against the recommendations arising from the Havelock North inquiry.

60. Resource Use staff have completed risk assessments of existing bores close to groundwater takes for domestic and municipal water supplies. This will feed into the above review and form part of the monitoring plan for bores and identify any gaps in the information.

61. Staff are working with others to develop more effective mechanisms for collaborative, multi-agency approaches to the delivery of safe drinking water. Council is providing spatial dataset information to territorial authorities and the Ministry for the Environment (Mfe) to assist with catchment risk assessments, identification of the location of drinking water abstraction points and to identify surrounding land-use that might pose a potential risk of contamination to drinking water supplies. This will include using available GIS data on the location of discharge and relevant land-use consents, including sites on the Hazardous Activities and Industries List (HAIL).

62. Staff representatives from the Regulatory and Science arms of the council will be attending a workshop convened by MfE next month to review the NES. The outcomes of the workshop will help inform recommendations to the Government for reform of the NES.

63. Council will take opportunities to contribute to the comprehensive review of the management of three waters – drinking water, stormwater and wastewater. Local Government Minister Nanaia Mahuta announced the terms of reference for stage 2 of this review in April. The review will develop recommendations for system-wide performance improvements and to progress parts of the Government’s response to the Havelock North drinking water inquiry by the end of 2018. The review covers four workstreams:

- effective oversight, regulatory settings, and institutional arrangements relating to three waters. This workstream will include ensuring that the land use controls and resource management planning regime implemented by regional councils are adequate and properly enforced to protect drinking water quality and quantity. This is linked to work being conducted by Mfe on compliance, monitoring and enforcement under the Resource Management Act 1991.
- funding and financing mechanisms, including analysis of a range of options for funding the three waters infrastructure system;
- capacity and capability of decision makers and suppliers (including consideration of the Havelock North inquiry’s recommendations for the aggregation and licensing of drinking water suppliers;
- information for transparency, accountability and decision making.

The Minister will report back to Cabinet in October 2018 for policy and funding decisions, and with proposals to inform Budgets 2019 and 2020.

**PFAS (per- & poly-fluoroalkyl substances)**

64. PFAS is the name for a large group of synthetic compounds that are of increasing concern worldwide. They have wide-ranging applications in both domestic products and industrial applications due to their useful surfactant and water repelling properties; and common uses include old fire-fighting foams, mist-suppressants, industrial coatings, non-stick cookware, stain protection agents and food packaging.

65. While research has not yet confirmed that these compounds have an adverse effect on human health, it has confirmed that they are very mobile and persistent in the environment. Research in
this field is still growing; but for now, as limited toxicology information is available and laboratory analytical methods are still being developed, drinking water and environmental guideline values have been set deliberately low as a precaution. Both international and national media have been providing significant coverage of sites where PFAS compounds have been found in soil and drinking water. There are effective treatment systems available for removing PFAS compounds from drinking water but remediation methods for soils are still in trial stages.

66. In New Zealand, the sites quoted in the media have largely involved New Zealand Defence Force sites which have historically been used for fire-fighting and emergency training; but other organisations (such as the Airports Association) are also beginning their own investigations into historic use of PFAS on their land.

67. Recently, the Ministry for the Environment made an official information request to all regional councils asking them to provide a list of sites in their region which have used, stored or disposed of PFAS compounds; and to conduct risk characterisation and prioritisation of each of these. The council was not in a position to provide this information, and have therefore contracted Pattle Delamore Partners to complete a desk based research project to identify such sites and complete risk screening and prioritisation of these. It is anticipated that this work will be completed by the end of July 2018.

68. Once we have received this information, we will provide it to the Ministry for the Environment, who will use it along with information from other regions to prioritise sites on a national scale. This will enable them to focus resources (via the Contaminated Sites Remediation Fund) where further investigation is warranted.

Key Organisational Project Updates

Waikato Regional Plan Change 1 - Waikato and Waipa River Catchments (Healthy Rivers / Wai Ora)

69. Proposed Waikato Regional Plan Change 1 Waikato and Waipa River Catchments (PPC1) was publicly notified on 22 October 2016, with the submission period closing on 8 March 2017. 1023 submissions were received and summarised. A draft summary of these submissions was placed on the council website on 30 October 2017 for information only. To date there have been 8 requests from submitters suggesting corrections to how their submission has been summarised. A call for further submissions will take place in mid-2018, in conjunction with a call for further submissions on the re-notified north-east portion of PPC1 (Variation 1 of PPC1).

Variation 1 of PPC1

70. On 3 December 2016 Council withdrew part of PPC1 as it applies to the north-east portion of the Waikato River catchment to allow council time to undertake consultation with Hauraki Iwi authorities in the area. Consultation and preparation of a Plan variation that incorporates feedback from Hauraki Iwi has been finalised and was endorsed by Council on 27 March 2018. Prior to that the Healthy Rivers Wai Ora committee met on 20 March 2018 and recommended to council to notify the variation.

71. Variation 1 was publically notified on 10 April 2018 with submission closing on 23 May 2018. While the time required to summarise these submissions is included as part of the project plan, there is a risk that if a large number of complex submissions were received it would take longer than expected to summarise them. This would have consequential implications in the timing of the call for further submissions and the holding of public hearings. This is being actively managed within the project.
Hearings Panel Advisory Support

72. Preparation of the section 42A Report (a document which provides the hearings panel with the author’s view on matters raised in submissions) has commenced by an independent planning advisor. The key risks associated with this part of the process relate to the availability of internal staff (policy and implementation) given other priorities, this risk is being managed.

73. In addition to hearings administration support (which is appropriately resourced), the hearings panel has requested planning support. The purpose of this role is to provide technical planning assistance to the panel during hearings, deliberations, and decisions. There is some risk around perception of impartiality of this support person, and risks in relation to technical capability and reputational risk (perception) have also been identified and are being managed.

Healthy Rivers Wai Ora Implementation

74. As Variation 1 with the 20 month delay to key implementation dates was approved by council on 27 March 2018 the schedule risk critical to the project has been closed, there are no critical risks at present.

75. The Long Term Plan Business Case has been updated to reflect the changes in timeline and possible budget impacts. A summary memo has been submitted to the Project Sponsor and the Finance Office outlining the budgetary impacts to the implementation project. In addition to this, the Farm Environment Plan (FEP) guide for Certified FEP’s and FEP Template was submitted and approved by the Project Control Group last month.

Conclusion

76. This report provides relevant updates on council’s risk management activities and key projects.

Appendix 1: Health and Safety Dashboard
Appendix 2: Feedback and Complaints Report
Appendix 1 – Health and Safety Dashboard

Reporting Month: March 2018

Lost Time Injuries
There were no lost time injuries for March 2018.

Critical Risk Events
There were three vehicle events notified in March leading to minor vehicle damage only.

There was one witnessed aggressive behaviour event involving two members of the public. There were no reported injuries to staff.

Organisational Critical Risks – Critical risks with a residual score of ‘High’

Risk Effective Levels – Effectiveness of existing systems and processes, expressed in the following 5 categories; Excellent, Good (strong), Fair (some strength), Poor (weak), Very Poor (very weak) – Reference information obtained from: Risk Management Framework – Corporate Risk Policy (DM # 2151810).

Critical and High Risks (those with a risk score of 10 or higher)

<table>
<thead>
<tr>
<th>Event ID</th>
<th>Inury treatment</th>
<th>Category</th>
<th>Body Location</th>
<th>Event Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2230</td>
<td>No treatment</td>
<td>Bite/sting</td>
<td>Hand – 3 wasp stings</td>
<td>Completed</td>
</tr>
<tr>
<td>2234</td>
<td>No treatment</td>
<td>Vehicle</td>
<td>Property – hit from behind</td>
<td>Completed</td>
</tr>
<tr>
<td>2237</td>
<td>No treatment</td>
<td>Bite/sting</td>
<td>Ear – 1 bee sting</td>
<td>Completed</td>
</tr>
<tr>
<td>2239</td>
<td>No treatment</td>
<td>Electrical</td>
<td>Hand – shock, laptop cord</td>
<td>Underway</td>
</tr>
<tr>
<td>2246</td>
<td>No treatment</td>
<td>Bite/sting</td>
<td>Arm = 6 stings. Head = 15 plus bee stings</td>
<td>Completed</td>
</tr>
<tr>
<td>2247</td>
<td>No treatment</td>
<td>Bite/stings</td>
<td>Eye and Arm – 4 bee stings</td>
<td>Completed</td>
</tr>
<tr>
<td>2251</td>
<td>No treatment</td>
<td>Sprain/strain</td>
<td>Wrist – moving boxes</td>
<td>Not started</td>
</tr>
</tbody>
</table>

One risk was submitted to the H&S Governance Group for sign-off in March 2018; struck by moving vehicles / equipment.

Risks are reviewed at least annually by the H&S Governance Group in conjunction with the H&S BPs, subject matter experts, and Health and Safety Committee. Risks are also reviewed after a system / process change, or after a critical event.

Pending Events – events not captured in the March event report
There were 5 pending events for March 2018.

Event ID | Category | Subject | Event Status |
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2244</td>
<td>Facility / condition</td>
<td>Door mat – near trip</td>
<td>Underway</td>
</tr>
<tr>
<td>2229</td>
<td>Activity / moving chair</td>
<td>Near property damage</td>
<td>Completed</td>
</tr>
</tbody>
</table>

Health and Safety Summary
Near Miss Events versus All Other Events

Event ID | Category | Subject | Event Status |
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>2244</td>
<td>Facility / condition</td>
<td>Door mat – near trip</td>
<td>Underway</td>
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<tr>
<td>2229</td>
<td>Activity / moving chair</td>
<td>Near property damage</td>
<td>Completed</td>
</tr>
</tbody>
</table>

There were 5 witnessed aggressive behaviour events in March 2018. There were no reported injuries to staff.

There were three vehicle events notified in March leading to minor vehicle damage only.

There were no lost time injuries for March 2018.
In March sick leave dropped to 2.0; below the benchmark range of 3.0 to 5.0.
The data excludes sick leave donated, sick leave credited from the sick leave bank and sick leave taken as a recreation day. The data set also includes staff absenteeism for staff who have left WRC.

The rolling average for the YTD is 5.0.

**NB:** This is a new report created to accurately reflect sick leave usage. The previous data has been updated to reflect this change.

In March 2018, a total of 12 events were reported (refer to red line in previous graph).
- 9 of the 12 events reported have had corrective actions assigned, of which 7 are completed, 1 underway and 1 not started.
- Both near misses reported have had corrective actions assigned. One corrective action is completed and one is underway.

**Health & Safety Training**

<table>
<thead>
<tr>
<th>Course</th>
<th>Duration</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor Management Workshop</td>
<td>1 ½ day</td>
<td>18 April and 4 May 2018</td>
</tr>
<tr>
<td>Risk Management</td>
<td>½ day</td>
<td>19 April 2018</td>
</tr>
<tr>
<td>Tactical Communication</td>
<td>1 day</td>
<td>28 February 2018</td>
</tr>
<tr>
<td>First Aid Training</td>
<td>1 day</td>
<td>2018 Training – ongoing as required</td>
</tr>
<tr>
<td>Vault training for Managers, Team Leaders and Supervisors</td>
<td>1 hr</td>
<td>1:1 Skype training to be scheduled as required with HR Systems &amp; Reporting Advisor</td>
</tr>
<tr>
<td>Vault training for Business Support staff</td>
<td>1 hr</td>
<td>1:1 Skype training to be scheduled as required with HR Systems &amp; Reporting Advisor</td>
</tr>
</tbody>
</table>

**Internal / External Audit**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Auditor</th>
<th>Audit Classification</th>
<th>Date of audit</th>
<th>Total Actions</th>
<th>Completion date</th>
<th>Completed Actions</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td><strong>Internal Audits</strong></td>
<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>Resource Use</td>
<td>RUD</td>
<td>Risk management/contractor management</td>
<td>April 2018</td>
<td>18</td>
<td>December 18</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External audits</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science and Strategy</td>
<td>KPMG</td>
<td>Health and safety systems and field work compliance (SaS)</td>
<td>7 February 17</td>
<td>18</td>
<td>7 February 2018</td>
<td>18</td>
<td>Completed</td>
</tr>
</tbody>
</table>
Appendix 2– Feedback and Complaints
All Directorates except Passenger Transport Operations

11 complaints are still open (4 of which relate to April 2018) it does not appear that any further action is required and staff will be asked to close these down.

Of the 79 matters recorded under the subject type “other”, approximately 55% of these were requests for service or non-WRC issues with the remainder being related to service quality or process.
There are 13 open complaints. These are currently sitting with the bus operators for resolution and relate to complaints received in April 2018.

Level 1 – Frontline Staff, Level 2 – Business Unit, Level 3 – Office of the CE, Level 4 – Ombudsman referral
Report to Audit and Risk Committee

Date: 2 May 2018

Author: Nicole Hubbard, Manager, Corporate Planning

Authoriser: Mike Garrett, Chief Financial Officer

Subject: Audit NZ 2018-2028 Long Term Plan Management Report

Section: B (For recommendation to Council)

Purpose
1. To present the Audit NZ 2018-2028 LTP management report to the Audit and Risk Committee.
2. To provide an update on the project governance structures, quality assurance processes and high level risks associated with the LTP project.

Executive Summary
3. This report outlines the management report from Audit NZ on the 2018-2028 LTP which sets out Audit NZ’s findings from the audit process and makes recommendations for improvements where appropriate.
4. The report also outlines the governance structures established to manage the development of the 2018-2028 LTP, high level risks and feedback from the auditors.

Staff Recommendation:
1. That the report Audit NZ 2018-2028 Long Term Plan Management Report (Doc #12402276 dated 2 May) be received, and
2. That the Audit NZ management report for the 2018-2028 Long Term Plan be received.

Background
5. The Local Government Act 2002 requires Audit NZ to undertake an audit of the Long Term Plan to determine:
   • whether the document achieves its purpose (in the case of a consultation document under section 93B, in the case of the LTP proper under section 93(6))
   • the quality of the information and assumptions underlying the forecast information provided in the document.
7. The Audit NZ management report sets out Audit NZ’s findings from the audit process and makes recommendations for improvements where appropriate.
8. Audit NZ will be in attendance to answer any questions the committee may have.
Issue
9. Under Section 94 of the Local Government Act 2002 Council is required to have its LTP and consultation document audited.

10. Audit New Zealand noted that the audit process went well, that management engaged early and were open to feedback.

11. Audit New Zealand provided the suggestion that Council develop a performance measure in relation to water quality and a measure in relation to the rail proposal should it be adopted by Council.

12. The proposal measure for the interim rail service was adopted by council in March 2018 and a water quality measure is currently under development and will be presented to Council for adoption at the Council meeting on 26 June 2018.

13. Audit NZ also provided the following comments in relation to the Infrastructure Strategy:

We reviewed the Infrastructure Strategy and are satisfied that it provides an overview of the Regional Council’s intentions regarding the management of its flood protection assets and significant works planned for the upcoming 50 years. The document explains the issues well and substantially meets the requirements of section 101B of the Local Government Act 2002.

We have noted two opportunities to further reflect on good practice or otherwise improve Council’s infrastructure strategy:

• Considering what further information may need to be provided relating to the longer-term implications (years 30-50) of coastal inundation (particularly for the Waihou Piako area) resulting from sea level rise. The strategy discusses the impact on current infrastructure, and alludes to the possibility of needing to provide new infrastructure or other options to address coastal inundation. We appreciate this issue is a sensitive one and not wholly within the power of the Council to decide, but a fuller discussion of the issues and options may be necessary for future Infrastructure Strategies to truly represent the 50 year period.

• Providing the levels of service measures in the Infrastructure Strategy or providing a reference as to where these may be found. This provides the reader with context when Council is discussing capital expenditure that results from proposed changes in levels of service. In addition, for future Infrastructure Strategies, Council should consider how they define levels of service to appropriately capture increasing environmental outcomes, whether as a result of resource consent requirements or other proposed projects.

Management response
Council has budgeted in the Long Term Plan to undertake a project over the next three years to address the sustainability of the current schemes and this consideration would fall within that scope.

Staff note that the development of the Infrastructure Strategy was undertaken in parallel with the development of the Regional Asset Management Plan. The Regional Asset Management Plan brings together asset management information pertaining to each scheme and provides the levels of service for flood protection and land drainage infrastructure. The recommendations regarding cross referencing, future strategies and considerations to include are noted.

14. The following work is also being undertaken in relation to the management of Council’s flood protection and land drainage infrastructure. A full report on these works will be presented to Council as part of LTP deliberations in the week of 28 May – 1 June 2018.
An update to the report completed in December 2016 by PWC titled “River scheme asset and reserve management review”, with a specific focus on the changes that Council has made and the opportunities for improvement that remain.

An engineering peer review of the process that Council has followed in determining the scope and magnitude of the asset renewal programme that accompanies the 2018-2067 Infrastructure Strategy and informs the 2018-2028 Long Term Plan.

An overview of the work programme that is proposed in relation to the sustainability of Council’s flood protection and land drainage infrastructure.

15. The LTP project was broken into seven work streams, each with a work stream lead who is responsible for ensuring the deliverables are met, and relevant staff assigned to each of the tasks. Each deliverable has a series of key milestones which are included in the Project Management Plan and reported to the project control group (PCG) on a monthly basis.

16. The PCG was established in March 2017 and comprises the Chief Financial Officer, Director Community and Services, Finance Manager, Corporate Planning Manager and LTP project manager. The PCG meets monthly to discuss the project including the project status report, project risk and issues, and other relevant topics. Key risks and slippage in milestones are reported to the Executive Leadership Team on a monthly basis.

17. Monthly internal communications are provided to all staff via our LTP intranet page, to keep staff up to date with the project as well as highlight upcoming work and key deadlines. Directors also receive a monthly update on upcoming work that will require their review.

18. An LTP Strategy Group and LTP Activity Lead Group have been established for the life of the project and meet on an as required basis. The strategy group provides advice on the development of work programmes, templates and discusses ideas, while the activity lead group is a set up to help disseminate information to those who are required to input into the LTP project on a regular basis.

19. The Strategy and Policy committee receive an LTP update each meeting, including an update on the 12 key building blocks of an LTP, the upcoming work programme and any risks or issues that need to be escalated to the committee for consideration.

20. There are currently no high risks noted on the project risk register.

Assessment of Significance

21. Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is considered to have a high degree of significance.

Legislative context

22. Under Section 94 of the Local Government Act 2002 Council is require to have its LTP and consultation document audited.

23. Both the consultation document and LTP must include a report from the auditor. Each reports on:
   - whether the document achieves its purpose (in the case of a consultation document under section 93B, in the case of the LTP proper under section 93(6))
   - the quality of the information and assumptions underlying the forecast information provided in the document.

Policy Considerations
25. To the best of the writer’s knowledge, this decision is not significantly inconsistent with nor is anticipated to have consequences that will be significantly inconsistent with any policy adopted by this local authority or any plan required by the Local Government Act 2002 or any other enactment.

Conclusion
26. Audit NZ has provided council with its management report for the 2018-2028 LTP and issued an unmodified audit opinion on the consultation document on the 13 March 2018.

27. Staff will continue to work with Audit NZ to ensure the decisions made by council at deliberations are reflected in the final LTP document.

Attachments
Attachment 1: Audit NZ management report (Doc #12390979)
Report to the Council

We have completed the audit of the Waikato Regional Council’s (the Regional Council) Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

Contents

1 Our audit opinion..................................................................................................................................................3
2 Audit scope and objective......................................................................................................................................3
3 Control environment ..............................................................................................................................................3
4 Areas of audit emphasis........................................................................................................................................3
5 Other matters arising from our audit ..................................................................................................................7
6 Audit of the final LTP...........................................................................................................................................7

Appendix 1: Mandatory disclosures....................................................................................................................8
Key messages

We have completed the audit of the Regional Council’s Long Term Plan Consultation Document (LTP CD) for the period 2018-28 and issued an unmodified opinion on 13 March 2018. This report sets out our findings, and where appropriate, makes recommendations for improvement.

To date the audit process of the LTP has gone well. Management have engaged early and often with us and made available the underlying information as it was completed. Management have been open to feedback on the LTP CD and underlying information and have demonstrated effective project management in delivering on the key milestones agreed or renegotiating where required.

Our review over the proposed performance framework identified some suggestions for Council to consider as it considers feedback and prepares its final LTP.

Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that will be adopted before 1 July 2018.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2018. These systems will assist with annual reporting, and also internal monitoring and reporting to the Council.

Thank you

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

David Walker
Audit Director
27 April 2018
1. **Our audit opinion**

1.1 **We issued an unmodified audit opinion**

We issued an unmodified audit opinion on the Regional Council’s LTP CD on 13 March 2018.

This meant we were satisfied the Regional Council’s LTP CD meets the statutory purpose and provides an effective basis for public participation in the Council’s decisions about the proposed content of the 2018-28 LTP.

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

1.2 **Unadjusted misstatements**

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP CD.

We have discussed any misstatements that we found with management. All misstatements were amended prior to the Council adopting the LTP CD.

2. **Audit scope and objective**

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 19 October 2017.

3. **Control environment**

Our approach to the audit was to identify, confirm and assess the Regional Council’s key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

We found that the overall control environment is reliable for the purpose of supporting the LTP CD.

4. **Areas of audit emphasis**

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit.
4.1 Financial strategy

We reviewed the Regional Council’s financial strategy and considered whether it is financially prudent and allows for the right debate with the community.

The Regional Council’s financial strategy has changed from the strategy used in the 2015-25 LTP. The key changes to the strategy is that the Regional Council is proposing to utilise external borrowings to fund capital expenditure work. The Regional Council has also updated their limit on rates to reflect the proposed rates increases.

We reviewed the financial strategy and the links to the infrastructure strategy and are satisfied the financial strategy is financially prudent, is reflected in the forecast financial information and is adequately summarised in the LTP CD.

4.2 Infrastructure strategy

We reviewed the Infrastructure Strategy and are satisfied that it provides an overview of the Regional Council’s intentions regarding the management of its flood protection assets and significant works planned for the upcoming 50 years. The document explains the issues well and substantially meets the requirements of section 101B of the Local Government Act 2002.

We have noted two opportunities to further reflect on good practice or otherwise improve Council’s infrastructure strategy:

- Considering what further information may need to be provided relating to the longer-term implications (years 30-50) of coastal inundation (particularly for the Waihou Piako area) resulting from sea level rise. The strategy discusses the impact on current infrastructure, and alludes to the possibility of needing to provide new infrastructure or other options to address coastal inundation. We appreciate this issue is a sensitive one and not wholly within the power of the Council to decide, but a fuller discussion of the issues and options may be necessary for future Infrastructure Strategies to truly represent the 50 year period.

- Providing the levels of service measures in the Infrastructure Strategy or providing a reference as to where these may be found. This provides the reader with context when Council is discussing capital expenditure that results from proposed changes in levels of service. In addition, for future Infrastructure Strategies, Council should consider how they define levels of service to appropriately capture increasing environmental outcomes, whether as a result of resource consent requirements or other proposed projects.
Management comment

Council has budgeted in the Long Term Plan to undertake a project over the next three years to address the sustainability of the current schemes and this consideration would fall within that scope.

Staff note that the development of the Infrastructure Strategy was undertaken in parallel with the development of the Regional Asset Management Plan. The Regional Asset Management Plan brings together asset management information pertaining to each scheme and provides the levels of service for flood protection and land drainage infrastructure. The recommendations regarding cross referencing, future strategies and considerations to include are noted.

4.3 Assumptions

We reviewed and assessed the appropriateness of assumptions that the Regional Council used as a basis for the development of the LTP CD. In particular, we tested the assumptions on growth, interest rates, inflation, return on investments, depreciation rates and property, plant and equipment revaluations.

We are satisfied that the assumptions are appropriate and that they have been applied consistently in the development of the underlying information of the LTP CD.

4.4 Quality of asset related forecasting information

We found that asset management control environment is reliable for the purposes of supporting the LTP CD. This involved assessing the quality of asset management information and the accuracy, reliability and supportability of the flow of information from asset management planning into the LTP CD. This is based on our review of the Regional Council’s self-assessment, a high level assessment of the asset management planning systems and the Regional Zone Management Plan, review of the Infrastructure Strategy and discussions with staff in involved in asset management planning.

4.5 Performance management framework

We reviewed the Regional Council’s performance framework. We noted a number of areas for improvement. In particular we identified that there did not appear to be any measures that made it clear what the current state of river/stream quality is or give a picture of progress towards desired longer term outcomes. River and stream water quality is a key area of focus for Council and there was limited measures on how Council will address this in the performance framework.

Other areas that were noted for improvement were that some of the levels of service were expressed as objectives, there were a limited number of impact measures rather than
output measures, and limited context provided in some measures that made it difficult to understand what Council was trying to achieve.

We also recommended that Council consider performance measures relating to the passenger rail service should this go ahead.

We communicated these improvements to management who have advised that they will consider addressing these as part of the final performance framework that gets adopted with the final LTP. We will follow up as part of our audit of the final LTP document.

Management comment

*Staff are developing a water quality performance measure which will be adopted as part of the final Long Term Plan on 26 June.*

*Staff set out the performance measurement information which contained linkages to council outcomes and priorities, a rationale for service, the key attributes and what council would deliver to the community. When considered as a whole this information outlines what council is trying to achieve and the rationale for the performance measure selection.*

*Council approved a rail performance measure on 13 March 2018 which will be included in the final document subject to approval of the rail proposal.*

4.6 Adopting and auditing the underlying information

The Regional Council prepared and adopted the underlying information necessary to support the LTP CD.

We found the majority of documents presented for audit were of a good standard, with some updates subsequently required as a result of audit recommendations and Council decisions.

4.7 Project management, reporting deadlines and audit progress

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

The Regional Council had a project plan in place that stated the key elements and timelines required to complete the LTP CD and underlying information. The project included a dedicated set of staff involved in the development of the LTP CD, along with input from other staff across the organisation.

Some key decisions affecting the LTP CD were made at the February Council workshops. This resulted in tight timeframes to provide the updated LTP CD and updated underlying documents to us for audit purposes. We appreciate the efforts of the staff involved during
this process, including keeping us informed of any changes as a result of Council deliberations.

In order for us to complete an efficient audit of the final LTP in June, it is important that we receive documentation for audit in a timely manner in line with the timelines outlined in our audit arrangements letter.

5 Other matters arising from our audit

We completed our planned work on the modules detailed in our audit engagement letter and did not identify any further matters that need to be brought to your attention.

6 Audit of the final LTP

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in the week commencing 5 June 2018 for two weeks. To ensure our audit of the LTP is efficient we expect the Regional Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2018 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 26 June 2018, at which time the 2018-28 LTP will be formally adopted.

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

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.
## Appendix 1: Mandatory disclosures

<table>
<thead>
<tr>
<th>Area</th>
<th>Key messages</th>
</tr>
</thead>
</table>
| **Our responsibilities in conducting the audit** | We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.  
The audit of the LTP CD does not relieve management or the Council of their responsibilities.  
Our audit engagement letter dated 19 October 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council. |
| **Auditing standards**                            | We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information*, and the Auditor-General’s Auditing Standards. |
| **Auditor independence**                         | We confirm that, for the audit of the Waikato Regional Council’s LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.  
Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Regional Council or any of its subsidiaries. |
| **Other relationships**                          | 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 Regional Council that is significant to the audit.  
We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Regional Council during or since the end of the financial year. |
| **Unresolved disagreements**                     | We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion. |
Report to Audit and Risk Committee May 2018

Date: 27 April 2018
Author: Janine Becker, Manager, Finance
Authoriser: Mike Garrett, Chief Financial Officer
Subject: External audit update
Section: A (Committee has delegated authority to make decision)

Purpose

1. To provide the committee with an update on outstanding matters from previous audits.

Staff Recommendations:

   1. That the report “External audit update” (Doc #12387466) dated 27 April 2018 be received for information.

Background

2. An update on outstanding matters from previous audits is attached for information.

3. A draft Audit Plan for the audit of the 2017/18 Annual Report has been presented to staff for review. This will be finalised and provided to the Chair of the Audit and Risk Committee for approval.

4. The interim audit for the 2017/18 annual report has been undertaken over the period 23rd April – 4th May 2018. While a management report from this visit will not be available in time for the committee meeting, staff and Audit NZ can provide an update on any matters identified at the committee meeting.

Attachments
Outstanding matters from previous audits (Doc #12386661)
Audit NZ Management Report on the audit for the year ended 30 June 2017 - Status of previous recommendations

Outstanding matters (partly addressed or no progress made)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
</table>

### Urgent
Major improvements required

- **Needs to be addressed urgently**
  - These recommendations relate to a significant deficiency that exposes the regional 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 regional 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.
## Detailed asset data on revalued assets

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Regional Council’s infrastructure assets were revalued as at 31 December 2013. After the revaluation, some assets were disposed. As per New Zealand International Accounting Standard 16 Property Plant and Equipment (NZ IAS 16(PBE)) paragraph 41, the revaluation surplus included in equity in respect of an item of property, plant and equipment is to be transferred directly to retained earnings when the asset is recognised. We recommend the relevant asset level information be maintained for infrastructural assets so their revalued components can be easily identified, and revaluation reserve adjustments made accordingly in future.</td>
<td>This year, the only previously revalued assets that were disposed were pump stations. The value of the disposal was $68,000 which was not material for further investigation. However, we noted that no adjustment was made to the revaluation reserve for the disposal of this asset. Hence we consider this matter remains outstanding.</td>
<td>Necessary</td>
<td>Staff have investigated this issue and will have a new process implemented for any future disposals. No depreciable infrastructure assets have been disposed of yet for the 2018/19 period.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Current status</td>
<td>Priority</td>
<td>Management’s proposed action</td>
</tr>
<tr>
<td>----------------</td>
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<tr>
<td>Service performance and associated systems and controls</td>
<td>For the measure: “Percentage of resource consents processed in accordance with Resource Management Act 1991 timeframe discount regulations”, we selected a sample of consents processed during the year to test against the IRIS system and supporting documentation. In most instances, resource consents had extensions applied to them. While we could sight the extension approvals for our selected samples, there is not always clear documentation detailing when an extension was completed or removed. This evidence is crucial as it indicates when the timeframe for processing a consent resumes. We recommend adequate documentation is stored as evidence of when extensions on consent applications have been put in place and subsequently removed.</td>
<td>As noted in 2015/16, the resource consent confirmation letter (i.e. advising whether or not the consent has been granted) contains a clause that states that all previous timeframe extensions have ceased. This is consistent with our findings during testing performed. For our samples tested this year, we were able to sight the consent applications and evidence of any holds or extensions applied. We noted two instances where the date on the confirmation letter was different to the date recorded in IRIS (as “date decision served”). This date is effectively the “stop date” for processing a consent. In both instances, the overall results for this performance measure were not affected as both consents were still processed within the timeframe.</td>
<td>Necessary</td>
</tr>
</tbody>
</table>
**Recommendation**

<table>
<thead>
<tr>
<th>Annual leave balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2013/14, we noted 118 employees whose leave balances exceeded five weeks. The highest annual leave balance increase to 686 hours or 17.15 weeks. A regular and timely review of individual leave balances would help prevent annual leave accumulating to high levels. Employees with excessive leave balances should be encouraged to reduce their leave balances. High leave balances pose a significant liability to the Council, which increases with salary increments. In addition, for some staff (such as finance staff, staff involved with procurement and the senior management team), high annual leave balances may indicate a weakening of internal control by limiting the rotation of duties. 2015/16 follow up comments: We noted that there were 125 employees whose leave balance exceeds five weeks. 2016/2017, we noted 139 employees who had a balance that exceeded five weeks. In September 2017 this had reduced to 126 employees with annual leave balances exceeding five weeks.</td>
</tr>
<tr>
<td>There are currently 95 employees with high annual leave balances. This has decreased from prior years. The highest balance is 600 hours (approximately four months). We note three employees have balances over 500 hours (approximately three months). We acknowledge that there is considerable focus on managing high leave balances, with ongoing reporting to the Audit and Risk Committee on this matter.</td>
</tr>
<tr>
<td>There are currently 95 employees with high annual leave balances. This has decreased from prior years. The highest balance is 600 hours (approximately four months). We note three employees have balances over 500 hours (approximately three months). We acknowledge that there is considerable focus on managing high leave balances, with ongoing reporting to the Audit and Risk Committee on this matter.</td>
</tr>
</tbody>
</table>

**Matters Resolved**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructural assets</strong></td>
<td>Infrastructure assets were revalued this year. We reviewed the valuation and confirmed that all land had been included. We did not note any other assets that were missing from the valuation.</td>
</tr>
<tr>
<td>Not all infrastructural land had been included in the revaluation. New Zealand International Accounting Standard 16 Property Plant and Equipment (NZ IAS 16(PBE)) paragraph 36 states if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which the asset belongs shall be revalued. We recommend the Regional Council ensures all infrastructural land is revalued in future revaluations.</td>
<td>Infrastructure assets were revalued this year. We reviewed the valuation and confirmed that all land had been included. We did not note any other assets that were missing from the valuation.</td>
</tr>
</tbody>
</table>
Report to Audit and Risk Committee

Date: 3 May 2018

Author: Sarah Jones, Senior Legal Advisor

Authoriser: Karen Bennett, Manager Chief Executive’s Office

Subject: Internal Audit Programme Update

Section: A (Committee has delegated authority to make decision)

Purpose
1. To provide the Audit and Risk Committee a status update on the internal audit programme.

Executive Summary
2. This report provides:
   a. an update on the internal audit actions from the Asset Management Review – Flood Protection, Business Continuity Management Review and the Resource Use Directorate Invoicing Review; and
   b. an Audit Activity Update from KPMG.

Staff Recommendation:
That the report “Internal Audit Programme Update” (Doc#11944362 dated 3 May 2018) be received.

Status Report Internal Audit Actions
3. Outlined in Appendix 1 is a status report on the internal audit actions for:
   - Asset Management Review – Flood Protection;
   - Business Continuity Management Review; and
   - Resource Use Directorate Invoicing Review.

KPMG Audit Activity Update Report and IS Strategy and Governance Review
4. A summary of internal audit activity for the period March to May 2018 is attached at Appendix 2 and includes the report on the IS Strategy and Governance Review.

Attachments
Appendix 1 – Internal Audit Actions Status Report
Appendix 2 – KPMG Audit Activity Update Report Doc# 12410842
Appendix 1: Internal Audit Actions - Status report

### A. Legislative Compliance Framework Review

<table>
<thead>
<tr>
<th>No.</th>
<th>Outstanding Actions</th>
<th>Person responsible</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Training Needs</td>
<td>Manager, CE Office</td>
<td></td>
<td>Completed</td>
<td>Legal Services will present at the June Induction session with a legislative compliance overview (per Directorate) and further opportunities regarding online learning are being explored.</td>
</tr>
<tr>
<td>1.1</td>
<td>Develop an on-going training programme to ensure that staff receive legislative compliance training at induction and ongoing refresher sessions as rolled out by WRC’s People and Capability Section’s learning and development program. This learning and development program should ensure training is aligned according to the risk assessment of the legislation i.e. put most effort into biggest areas of risk.</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

### B. Regulatory Decision Making for Bond Regime

<table>
<thead>
<tr>
<th>No.</th>
<th>Outstanding Actions</th>
<th>Person responsible</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improve the Peer Review of Bond Decisions</td>
<td>Principal Advisor - Consents</td>
<td></td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Review compliance monitoring protocols for those sites that include a bond condition.</td>
<td>Principal Advisor - Consents</td>
<td></td>
<td>Completed</td>
<td></td>
</tr>
</tbody>
</table>

### C. Asset Management Review

<table>
<thead>
<tr>
<th>No.</th>
<th>Outstanding Actions</th>
<th>Person responsible</th>
<th>Completion Date</th>
<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Standardised Asset Management Practices</td>
<td>Asset Management Team Lead</td>
<td></td>
<td>On track</td>
<td>Key ICM Section Managers and Team Leads meeting monthly to discuss compliance issues and improvement areas. Have started escalating any Asset related areas where ICM need increased short term focus to the ICM Portfolio Governance Group.</td>
</tr>
<tr>
<td>1.1</td>
<td>Continue the implementation of the new asset management initiatives to achieve the targeted intermediate asset management maturity level by 2019.</td>
<td>Asset Management Team Lead</td>
<td>1/07/2019</td>
<td>On track</td>
<td></td>
</tr>
</tbody>
</table>
1.2 Implement actions to improve the maturity level of asset management processes relating to governance and reporting, levels of service (Los) and performance measurement, demand forecasting, lifecycle management, business continuity management and continuous improvement.

<table>
<thead>
<tr>
<th>Task</th>
<th>Due Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Team Lead</td>
<td>1/07/2019</td>
<td>On track</td>
</tr>
</tbody>
</table>

- Increased focus on asset related KPIs within ICM. New LTP roles position descriptions developed ready for hiring once LTP signed off. Focus also on completing mandatory condition inspections prior to the end of the fiscal year to feed into prioritisation planning for 18/19.

### Asset Management Plan and Policy Alignment

2.1 Establish a transition plan for integration of the ICM function with the Asset Management (AM) function.

<table>
<thead>
<tr>
<th>Task</th>
<th>Due Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Team Lead</td>
<td>1/07/2019</td>
<td>Not yet started</td>
</tr>
</tbody>
</table>

- Discussions have occurred between the Technical Services and Operations teams for better planning and scheduling of maintenance work practices which will progress over the next three years.

2.2 Resolve the areas of misalignment in the AM policy and Regional Asset Management Plan (RAMP).

<table>
<thead>
<tr>
<th>Task</th>
<th>Due Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Team Lead</td>
<td>1/08/2018</td>
<td>Not yet started</td>
</tr>
</tbody>
</table>

- The AM Policy will be reviewed in the 2nd quarter of 2018 and at that time we expect misalignment issues to be resolved.

2.3 Finalise key AM documents currently in draft including the infrastructure strategy, the RAMP and the Zone Management Plans (ZMP’s).

<table>
<thead>
<tr>
<th>Task</th>
<th>Due Date</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Team Lead</td>
<td>1/07/2018</td>
<td>On track</td>
</tr>
</tbody>
</table>

- The draft of the RAMP is complete and is going to the next ICMC meeting for official sign off, and will be officially adopted as the same time as the LTP process.

### Demand Management

3.1 Review Demand levers and what internal and external regional issues / hazards / changes could or will cause a change in the demand for flood mitigation services.

<table>
<thead>
<tr>
<th>Task</th>
<th>Due Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Team Lead</td>
<td>1/07/2019</td>
<td>Not yet started</td>
</tr>
</tbody>
</table>

- Investigations are underway to assess the criticality of various schemes in terms of loss of life, environmental impact and national impact. Further work is required to understand demand management as a topic before a comprehensive action plan to deal with this risk is developed.

3.2 Apply demand forecasting to each scheme areas to understand their effect on settlements, roads, rails, wetlands and other life line utilities.

<table>
<thead>
<tr>
<th>Task</th>
<th>Due Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Team Lead</td>
<td>1/09/2019</td>
<td>Not yet started</td>
</tr>
</tbody>
</table>

- Will be started in 2018/19 by the ICM Regional Hazards team.
### 3.3 The Demand section of the RAMP is extended to include demand for AM services that support ICM objectives including biodiversity, biohazards and environmental improvement.

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/02/2018</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Demand section of the RAMP has been updated to include environmental and climate change as drivers.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4 Asset Data, Condition Assessment and Risk

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/02/2018</th>
<th>Not yet started</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Review of demand and hazard measures that determine criticality and various risk factors for each individual asset can be captured in conquest, or future corporate system.</td>
<td>1/08/2018</td>
<td>On hold until 2018/19, once Reliability Engineer started.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/08/2018</th>
<th>Not yet started</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2</td>
<td>Review Risk Matrices and guidelines used within ICM to include biodiversity, community resilience, and items of national significance.</td>
<td>1/10/2018</td>
<td>On hold until 2018/19, once Reliability Engineer started.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/03/2019</th>
<th>Not yet started</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3</td>
<td>Review how asset condition and asset performance is measured for key asset types.</td>
<td>1/03/2019</td>
<td>On hold until 2018/19, once Reliability Engineer started.</td>
</tr>
</tbody>
</table>

### 5 Capital Investment Decision Making

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/10/2018</th>
<th>On track</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Define and structure the capital investment decision making framework to make it transparent on how decisions are reached and priorities of works.</td>
<td>1/10/2018</td>
<td>Process used for prioritising works currently being externally reviewed. Once complete ICM will complete lessons learned &amp; agree improvements for 18/19.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/02/2019</th>
<th>On track</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2</td>
<td>Prioritisation be applied to the asset portfolio by site and/or major asset category to identify the investment priority of all locations and assets.</td>
<td>1/02/2019</td>
<td>Draft process has been developed. The finalised process that will be followed still needs defining, reviewing, approval by the ICM SLT, and documenting.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/02/2019</th>
<th>On track</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3</td>
<td>The prioritisation results, and potential intervention options for any given year are maintained as a record of process compliance.</td>
<td>1/02/2019</td>
<td>Scenario planning has been introduced to interrogate potential capital renewal versus maintenance options for the pump stations and floodgates in an effort to review the capital expenditure required and find alternative solutions where possible without excessively endangering landowner’s investments, people or the environment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Asset Management Team Lead</th>
<th>1/07/2019</th>
<th>Not yet started</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4</td>
<td>Review Asset Failure Rates, to determine if maintenance is</td>
<td>1/07/2019</td>
<td>On hold until 2018/19, once Reliability Engineer started.</td>
</tr>
<tr>
<td></td>
<td>Operations and Maintenance Planning and Delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Extend the use of current in-field tools to improve data capture around completed tasks, asset failures or defect issues.</td>
<td>Asset Management Team Lead</td>
<td>1/04/2018</td>
</tr>
<tr>
<td></td>
<td>Fulcrum is deployed, and enhancements ready for deployment. Work supervisors being given training on job on how to both easily capture works identified, and close works off while in the field once completed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.2</td>
<td>Review the operational planning section of the RAMP to integrate land drainage activities in with already captured flood protection and river management activities.</td>
<td>Asset Management Team Lead</td>
<td>1/01/2019</td>
</tr>
<tr>
<td></td>
<td>This review will take place in 2019.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.3</td>
<td>Clarify the roles and responsibilities of landowners, the District Councils and the Catchment Liaison Committees for the planning and delivery of maintenance works.</td>
<td>Asset Management Team Lead</td>
<td>1/07/2018</td>
</tr>
<tr>
<td></td>
<td>Discussions occurring between WRC, Hauraki District Council, and Waikato District Council on informing each other on works occurring and defining when each party needs to be involved.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.4</td>
<td>Continue development of BCM processes along with additional training for staff involved with the managing of events.</td>
<td>Asset Management Team Lead</td>
<td>1/01/2019</td>
</tr>
<tr>
<td></td>
<td>The Natural Hazards Team will continue to develop the BCM processes for managing major events. Issue: Finding and training internal staff to be Regional Flood Controllers, only 2 of 4 required roles currently filled.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial and Funding Strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>Finalise the financials chapter of the RAMP including discussion of all activity areas.</td>
<td>Asset Management Team Lead</td>
<td>1/04/2018</td>
</tr>
<tr>
<td></td>
<td>Operations and Commentary complete, just requires signed off capital budgets included once LTP adopted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.2</td>
<td>Complete a detailed review of future funding options and levels for all ICM activity areas.</td>
<td>Asset Management Team Lead</td>
<td>1/07/2019</td>
</tr>
<tr>
<td></td>
<td>Finance have commenced discussions with SLT and Council around future funding options; and funding for a project to start in 2018-19 included in LTP.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset Management Teams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Ensure the scope of the AM Team leader role is adequately scoped and supported to achieve a transition to the targeted intermediate AM maturity level by 2019.</td>
<td>Asset Management Team Lead</td>
<td>1/07/2018</td>
</tr>
<tr>
<td></td>
<td>The AM Team Leader role was filled in September 2017; job description will be reviewed to ensure role meets this objective.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Responsible</td>
<td>Start Date</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>-------------</td>
<td>------------</td>
</tr>
<tr>
<td>8.2</td>
<td>Review qualification, experience, and key competence areas needed for different roles within ICM to ensure intermediate AM maturity level can be reached and maintained</td>
<td>Asset Management Team Lead</td>
<td>1/11/2018</td>
</tr>
<tr>
<td>9</td>
<td>Asset Management Plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.1</td>
<td>Finalise the RAMP, ZMP’s, and the 50 year horizon Infrastructure Strategy.</td>
<td>Asset Management Team Lead</td>
<td>1/07/2018</td>
</tr>
<tr>
<td>9.2</td>
<td>Review AM plans for managing critical assets – Dams, Floodgates, Pump Stations, Weirs, and Stopbanks</td>
<td>Asset Management Team Lead</td>
<td>1/07/2020</td>
</tr>
<tr>
<td>10</td>
<td>Information Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.1</td>
<td>Explore methods for replacing Oracle and Conquest systems that allow for integration between AM and financial information.</td>
<td>Asset Management Team Lead</td>
<td>1/01/2019</td>
</tr>
<tr>
<td>10.2</td>
<td>Explore methods to allow better maintenance planning and scheduling of works, so capture works occurring, time and cost of works, and can future forecast needs of each scheme.</td>
<td>Asset Management Team Lead</td>
<td>1/10/2018</td>
</tr>
<tr>
<td>10.3</td>
<td>Review opportunities to systemise or streamline the update of project information into Conquest, Oracle, and Document Library.</td>
<td>Asset Management Team Lead</td>
<td>1/01/2019</td>
</tr>
<tr>
<td>11</td>
<td>Service Delivery Models</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.1</td>
<td>Implement using PMO principles for all major capital, technical, maintenance, and investigatory projects within ICM.</td>
<td>Asset Management Team Lead</td>
<td>1/08/2018</td>
</tr>
<tr>
<td>11.2</td>
<td>Continue to develop and implement procurement strategies for when scoping, planning and sourcing external contracting services.</td>
<td>Asset Management Team Lead</td>
<td>1/08/2018</td>
</tr>
</tbody>
</table>
Develop methodologies for determining better cost estimation of future works.

Models now exist and are in use for determining the cost of pump station replacements and stopbank top-ups, but need ongoing review and refinement to drive down the variables affecting project costs.

An integrated improvement plan is put in place, and reporting of progress against plan is undertaken to the ICM director.

An improvement plan exists, the hard work now starts of comparing new works people wish to undertake vs. the current agreed priorities.

Review the level of resources to deliver AM improvements.

First step - 2 additional roles are progressing through the LTP. Beginning discussions on Operations and Technical support people work prioritisation for 2018/19

<table>
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<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Revisit and refresh essential services required under the Councils’ Business Continuity Plan (BCP). This should be from a ‘top down’ WRC perspective.</td>
<td>Manager, CE Office</td>
<td>Completed</td>
<td></td>
<td>Carried out by the Risk Forum on 2 May 2018.</td>
</tr>
<tr>
<td>1.2</td>
<td>Review the existing BIA information and define the required recovery times and prioritisation. The acceptable recovery time and maximum satisfactory threshold to WRC should be aligned and linked to Council’s risk appetite statement.</td>
<td>Manager, CE Office</td>
<td>Completed</td>
<td></td>
<td>Carried out by the Risk Forum on 2 May 2018.</td>
</tr>
<tr>
<td>1.3</td>
<td>Ensure the risk appetite statement relating to business continuity is clearly defined and understood by the business.</td>
<td>Manager, CE Office</td>
<td>30-May-18</td>
<td>On track</td>
<td>Reviewed by the Risk Forum on 2 May 2018 and is presented to the Audit and Risk Committee for discussion.</td>
</tr>
<tr>
<td>1.4</td>
<td>Identify interdependencies between different directorates and systems to ensure BCM is considered as a whole rather than in silos.</td>
<td>Manager, CE Office</td>
<td>Complete</td>
<td></td>
<td>Risk Forum discussed and consolidated essential services, identified enablers and timing of disruption events.</td>
</tr>
<tr>
<td></td>
<td>BCM Maintenance</td>
<td></td>
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</tr>
<tr>
<td>2.1</td>
<td>Plan BCM exercise for WRC in stages rather than on an organisation-wide basis, focusing on essential services as a priority followed by non-essential services.</td>
<td>Manager, CE Office</td>
<td>Ongoing - first exercise to commence post 30 June 2018</td>
<td>Not yet started</td>
<td>This will commence post 30 June 2018.</td>
</tr>
<tr>
<td>2.2</td>
<td>Identify preventative and corrective actions post each BCM exercise for continual improvement. The results of the BCM exercises should also be reported to the ARC on the outcome and steps taken for future improvement.</td>
<td>Manager, CE Office</td>
<td>Ongoing - will be started once the first exercise is completed which occurs post 30 June 2018</td>
<td>Not yet started</td>
<td>This will occur post the first BCM exercise which will take place post 30 June 2018.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>BCM Programme Management</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Ensure contracts with outsourced providers to have appropriate continuity arrangement. Senior management to evaluate the adequacy of assurance contingency planning performed by third parties.</td>
<td>Manager, CE Office</td>
<td>Ongoing</td>
</tr>
<tr>
<td>3.2</td>
<td>Establish formal mechanism to budget, allocate and account for funds provided to business continuity programme.</td>
<td>Manager, CE Office</td>
<td>Ongoing</td>
</tr>
<tr>
<td>3.3</td>
<td>Monitor and evaluate the BCM program at regular intervals to ensure it is kept up to date and addresses WRC wide disruption risks.</td>
<td>Manager, CE Office</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>BCM Culture</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Train key staff to be familiar with the existing established BCM programme.</td>
<td>Manager, CE Office</td>
<td>Completed</td>
</tr>
<tr>
<td>4.2</td>
<td>Establish BCM awareness and induction training to be included as part of WRC's training policy designed for the intended audience.</td>
<td>Manager, CE Office</td>
<td>Aug-18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>BCM Response</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Refresh and update the BCM Response Plans for changes within Directorates and where there are changes in Business Owners.</td>
<td>Manager, CE Office</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
Considerations in developing BCM Response plans should include:
- keeping the response plans short, simple and user friendly
- ensuring assumptions contained are realistic
- reference to other sources of information and supporting documentation
- appropriate action plans and checklists to be included
- ownership of key tasks
- version control
- reference to WRC's risk appetite

| 5.2 | Considerations in developing BCM Response plans should include: | Manager, CE Office | Aug-18 | On track | Plans will be reviewed to incorporate these improvements. |

### E. Resource Use Directorate Invoicing Review

<table>
<thead>
<tr>
<th>No.</th>
<th>Outstanding Actions</th>
<th>Person responsible</th>
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<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Monitoring of Consent and Monitoring Costs</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>The standards were identified before the review was completed and will now be implemented. RUD Business Support Officers will prompt and support this process. Business Support Officer (Industry &amp; Infrastructure) is currently working with Resource Officers (RO's) to assist with high unbilled amounts. Industry and Infrastructure Section Manager working with his Team Leaders to address with an ongoing monthly review of the financials. Report to be requested through Business Solutions.</td>
</tr>
<tr>
<td>1.2</td>
<td>Promote the culture of regular reviewing and invoicing as part of the role of Resource Officers and this will be reviewed by the RUD Senior Leadership Team.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>Regular agenda item to be included on the RUD Senior Leadership Team and Full Leadership Team meeting agendas as well as Team Leaders discussing in their regular catch ups with ROs. To be incorporated in the RUD induction process.</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Finance are available to discuss any financial implications with the Industry and Infrastructure Section and Farming Sections to ensure everyone understands the big picture.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>Financial 'refresher' item to be put on every second RU Directorate meeting agenda (twice per year) with Director RU reiterating importance of timely invoicing and implications of when work is left unbilled. Looking at 'visual' tools to represent this.</td>
</tr>
<tr>
<td>2</td>
<td>Deposits for Resource Consent Applications</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Consider having Finance staff flag high risk consent holders (e.g. where there is a history of non-payment of consent monitoring invoices) within IRIS to assist with determining of higher risk applicants requiring a deposit to be obtained.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>Not yet started</td>
<td>This is still to be discussed with Finance.</td>
</tr>
<tr>
<td>3</td>
<td>Process to Manage Variation 6 Consents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Undertake an agreed project cost monitoring and invoicing method.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>Variation 6 (V6) invoicing is underway and we are now onto the second catchment for invoicing. At present a lot of work is required to invoice the V6 costs which has the potential to be simplified. An initial discussion has been held with the Team Leader, Farming Services - Plan Implementation with regards to Healthy Rivers implementation.</td>
</tr>
<tr>
<td>4</td>
<td>Recording of Deposits Received within IRIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Review whether the 'check for sufficient funds' task box is still required under IRIS.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>Not yet started</td>
<td>Need to discuss with Team Leaders.</td>
</tr>
<tr>
<td>4.2</td>
<td>Remove the wording from the acknowledgement letter template with respect to deposits.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>Work with Team Leaders to ensure ROs are correctly updating the deposit information in the Acknowledgement letter or deleting the appropriate wording.</td>
</tr>
<tr>
<td>4.3</td>
<td>Contact the applicant to request details of deposit submission if the deposit has not been able to be identified.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>Occurs infrequently but when it does, applicant is contacted by either Finance or RUD Business Support.</td>
</tr>
<tr>
<td>4.4</td>
<td>Finance and RUD to work together to review the efficacy of requiring consent deposits.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>Not yet started</td>
<td>Meeting to be held with Team Leader Accounting and include I&amp;I Section Manager.</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------------------------------------</td>
<td>-----------------------------------</td>
<td>---------</td>
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<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td>5</td>
<td><strong>Closing of Project Codes within Oracle</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Introduce a report to identify RC codes where the consent has been granted and no new costs incurred for 30 days but which a deposit is still sitting on the code. Deposits should be applied and the code closed immediately.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>Report to be requested through Business Solutions team. This request will get added to the current list of IRIS related requests.</td>
</tr>
<tr>
<td>5.2</td>
<td>Clarify billing related controls for preventing inadvertent errors for consideration during the corporate system replacement project.</td>
<td>Team Leader, RUD Business Support</td>
<td>30-Jun-18</td>
<td>On track</td>
<td>RUD Business Support, selected Team Leaders and ROs met with the Project Manager for the Corporate Systems Replacement Project on 26 March 2018 and raised a number of issues for consideration as part of the corporate system replacement project. Finance needs to ensure that RUD continue to be part of this ongoing project.</td>
</tr>
</tbody>
</table>
# Contents

1 FY2017/18 Internal Audit Plan  
1.1 FY 2017/18 Engagement Status  
1.2 Details of Completed Engagements  

2 Other Activities  
2.1 Fraud Risk Workshop  
2.2 Risk training session  
2.3 Annual risk assessment refresh  
2.4 Follow-up of completed management actions
FY2017/18 Internal Audit Plan

We are pleased to provide a summary of our internal audit activity for the period March 2018 to May 2018.

Waikato Regional Council’s (WRC’s) internal audit plan for 2017/18 included four engagements with two reviews being carried forward from 2016/17.

1.1 FY 2017/18 Engagement Status

Focus for Q2 2017/18 was on the two remaining reviews postponed from 2017, along with the planned IT strategy and governance review. An additional review was requested by management to assess the processes and controls for the recovery of costs incurred by RUD when processing resource consents.

A summary of our progress on the internal audit plan is shown below:

Key: Activity complete  Activity in progress  Activity not yet started

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2016/17 Internal audit plan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Business continuity review</td>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
<td>Repeatable/Developing</td>
</tr>
<tr>
<td>6 Asset Management – flood protection</td>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
<td>Developing</td>
</tr>
<tr>
<td><strong>FY2017/18 Internal audit plan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 IT strategy and governance review</td>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
<td>Adequate</td>
</tr>
<tr>
<td>2 Health and Safety – Contractor management</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Stakeholder engagement and communication</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Cyber security follow-up review</td>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additional reviews</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Recovery of costs within RUD</td>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
<td>Developing</td>
</tr>
</tbody>
</table>

2 – Fieldwork for the Health and Safety review is scheduled to commence.

3 – A scope of work has been drafted for the stakeholder engagement and communication review to be agreed with management with fieldwork commencement to be finalised (intention June).

4 – At the request of management the cyber security follow-up review has been postponed to early 2019.
1.2 Details of Completed Engagements

**IT Strategy Review**

The report for this review has been agreed and finalised with management.

Overall the approach for managing WRC’s IT strategy and governance processes are generally sound and as such we have rated WRC’s IT Strategy and Governance as ‘Adequate’. Two ‘Low’ rated recommendations have been made.

We acknowledge that significant work has been performed by IT over recent years including the reduction of physical data centre risks by moving IT infrastructure to the Cloud, and the current project to replace a number of corporate systems used throughout the Council.

A strategic information services Plan (SISP) was developed in December 2014 which outlines common sense principles for the overall direction of IT and is a guide for IT related decision making within WRC. This is however more of an overarching direction document and does not articulate or validate the prioritisation of IT projects underway or in-scope. It is recommended that IT project information be consolidated into one place to allow for clarity around the prioritisation of projects and for the evaluation of benefits to be formally considered and evaluated as part of that prioritisation process.

In addition it was noted that there appears to be support for the IT team from staff throughout Council, however we did note some dissatisfaction relating to the frequency and level of detail within communications from the IT team to Council staff below manager level. Whilst this is often seen in organisations of the Council’s size it does highlight the challenge of communicating effectively with limited touchpoints within Council. To address this there may be opportunities for the Council to encourage the dissemination of information discussed in the Information Systems Governance Group meetings, through to the senior leadership of each directorate and to staff.
2 Other Activities

The following activities have occurred or are in planning since the last meeting.

2.1 Fraud Risk Workshop

KPMG reviewed WRC’s Fraud Policy and facilitated a fraud risk assessment workshop to assist Council in identifying fraud and corruption risks. Management are currently populating a Fraud Risk Register as a result of this exercise.

2.2 Risk training session

WRC have requested KPMG to deliver risk training modules to all staff with the intention that the training will give staff a strong understanding of:

- their roles and responsibilities within the risk management framework, and
- simple to use tools to operationalise the policy and framework (eg bowtie analysis).

An initial risk awareness session is to be held on 21 May 1pm – 4pm with directorate specific sessions to be scheduled after that.

2.3 Annual risk assessment refresh

Each year KPMG facilitates the Councillors reassessment of the Councils risks. This session is typically held in March, the results of which feed into the internal audit plan development for the following financial year. Whilst a date is yet to be confirmed we intend to hold this workshop after the adoption of the LTP, with the intention that the 2019 Internal Audit plan will be refreshed out of these discussions.

2.4 Follow-up of completed management actions

KPMG has been requested to follow-up the appropriateness of completed management actions raised in prior Internal Audit reports so that these actions can then be closed on the register. The scope of this follow-up activity is being confirmed.
Waikato Regional Council

IT Strategy and Governance Review

March 2018

kpmg.com/nz
DISCLAIMER

Inherent Limitations
This report has been prepared as outlined in our scope document dated July 2017. The procedures outlined in the Scope of Services Section constitute neither an audit nor a comprehensive review of operations. The term “Audit/Review” used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The findings in this report are based on a review of Waikato Regional Council’s (WRC’s) processes, documentation and discussions with relevant team members. No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, WRC management and personnel consulted as part of the process. KPMG has indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form. The findings in this report have been formed on the above basis.

Third Party Reliance
This report is solely for the purpose set out in Scope of Services Section of the engagement letter and for WRC’s information, and is not to be used for any other purpose or distributed to any other party without KPMG’s prior written consent. This report has been prepared at the request of WRC in accordance with the terms of KPMG’s engagement document dated July 2017. Other than our responsibility to WRC, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party’s sole responsibility.

This report has been prepared as outlined in our scope document dated July 2017. The procedures outlined in the Scope of Services Section constitute neither an audit nor a comprehensive review of operations. The term “Audit/Review” used in this report does not relate to an Audit/Review as defined under professional assurance standards.
1. Executive Summary

OBJECTIVE AND SCOPE

In accordance with Waikato Regional Council’s (“WRC”) Internal Audit Plan for FY2017/2018 approved by the Audit and Risk Committee, KPMG assessed WRC’s IT governance and controls surrounding the delivery of technology requirements.

This document outlines the terms of reference for this review and is subject to KPMG’s Internal Audit Services Agreement with Waikato LASS dated 1 June 2016.

The objectives of the review was to:

— Assess processes to define the IT strategy, information architecture and the direction of technology against ISACA’s framework for assessing control objectives within IT, CoBIT.

— Identify and report on areas and opportunities for improvements in the processes and controls that assist with the delivery of IT.

REVIEW ACTIVITIES

The review was carried out over two stages:

Stage 1: Understand the process

Gained an understanding of the processes to define and govern the following IT activities:

<table>
<thead>
<tr>
<th>IT Strategy</th>
<th>Technological Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Value Management</td>
<td>Technological Direction Planning</td>
</tr>
<tr>
<td>Business/IT alignment</td>
<td>Technology Infrastructure Planning</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>Monitoring Future Trends and Regulations</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>Technology Standards</td>
</tr>
</tbody>
</table>

Stage 2: Assess the effectiveness of the process

— Performed testing of key controls to assess the effectiveness of such controls.

— Interviewed a selection of staff from throughout the Council to understand level of interactions between IT and the business.

— Identified potential opportunities to improve the effectiveness of processes.

OVERALL RATING

IT Strategy and Governance Adequate

Overall the approach for managing WRC’s IT strategy and governance processes is generally sound however without a clear link between the IT direction and a more detailed IT strategy it is difficult to monitor the IT teams progress or continued alignment with the objectives outlined in the Council’s strategic plan. Despite this, governance processes and controls managed by the IT team are generally appropriate and as such we have rated WRC’s IT Strategy and Governance as ‘Adequate’.

Refer to Appendix 2 for the classification of the internal audit ratings.

CONCLUSION

A strategic information services Plan (SISP) was developed in December 2014 which outlines common sense principles for the overall direction of IT and is a guide for IT related decision making within WRC. This is however more of an overarching direction document and does not articulate or validate the prioritisation of IT projects underway or in-scope. We acknowledge that significant work has been performed by IT over recent years including the reduction of physical data centre risks by moving IT infrastructure to the Cloud, and the current project to replace a number of corporate systems used throughout the Council.

In addition it was noted that there appears to be support for the IT team from staff throughout Council, however we did note some dissatisfaction relating to the frequency and level of detail within communications from the IT team to Council staff below manager level. Whilst this is often seen in organisations of the Council’s size it does highlight the challenge of communicating effectively with limited touchpoints within Council. To address this there may be opportunities for the Council to encourage the dissemination of information discussed in the Information Systems Governance Group meetings, through to the senior leadership of each directorate and to staff.
2. Summary Of Internal Audit Findings

The table below shows the risk ratings of the findings. Detailed findings and recommendations are included in this report:

<table>
<thead>
<tr>
<th>#</th>
<th>Description of internal audit findings</th>
<th>Rating of internal audit findings</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Justification and prioritisation of projects</td>
<td>Low</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Communication of IT activities throughout all of Council</td>
<td>Low</td>
<td>6</td>
</tr>
</tbody>
</table>
1. Justification and prioritisation of projects

<table>
<thead>
<tr>
<th>FINDING(S) AND IMPACT</th>
<th>RECOMMENDATION(S)</th>
<th>AGREED MANAGEMENT ACTION(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A strategic information services Plan (SISP) was developed in December 2014 which outlines common sense principles for the overall direction of IT and is used as a guide for IT related decision making within WRC. This is however more of an overarching direction document and therefore there is no link between the Council’s strategy and a summary view of all IT projects underway / in scope, their expected benefits, associated costs, or staffing requirements for those projects. Resource requirements and budgets are prepared on a project by project basis.</td>
<td>Consolidate IT project information into one place which: - Outlines projects planned and underway including; priorities, estimated costs and staff resources to allow for clarity around the prioritisation of projects. - Includes a clear statement of expected benefits of each project. It should be possible to demonstrate how the expected benefits are aligned with strategic objectives. These expected benefits should be formally evaluated for achievement as part of the post implementation review for each project.</td>
<td>Information Services are working with the organisation-wide Project and Portfolio Management capability to bring all IT initiatives (which are aligned to the IS Strategy) into a visible work plan. taking into account funding, prioritisation and resource supply vs demand. Sitting behind the work plan will be a ‘pipeline’ of proposed new projects that are yet to be initiated. Each project will then follow the standard WRC project management process. This is part of the development of enterprise portfolio management processes currently being developed at WRC, and Information Services are early adopters to these project and portfolio processes. The outputs from this process will include work plan reports and individual project reports which will be used for discussion and decision-making at the IS Governance Group.</td>
</tr>
</tbody>
</table>

Risk

Connections between the IT strategy and the Council’s strategy may not be clearly articulated which may lead to difficulties in prioritising and communicating IT activities. In addition, project objectives and critical success factors may not be defined which would allow for periodic reviews of the progress of IT activities.

Responsibility: John Crane

Target Date: 31 December 2018
## 3. Detailed Findings and Recommendations

### 2. Communication of IT activities throughout all of Council

<table>
<thead>
<tr>
<th>FINDING(S) AND IMPACT</th>
<th>RECOMMENDATION(S)</th>
<th>AGREED MANAGEMENT ACTION(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT plans are discussed with the executive leadership team during the regular Information Systems Governance Group meetings and through periodic interactions between the wider IT team and individual staff throughout the Council. In addition, summary information relating to IT activities is available to staff through the intranet. Whilst our discussions with staff throughout Council indicated a strong support for the IT team there was a perception that IT activities were not widely discussed with staff below the senior leadership team and little feedback was sought from staff. It was generally acknowledged that all teams are resource tight which affects the ability for staff across all directorates and IT to connect on a regular basis.</td>
<td>Encourage the dissemination of information discussed in the Information Systems Governance Group meetings, through to the senior leadership of each directorate and to staff within the directorate. Each directorate should be encouraged to discuss with their own staff any IT challenges or requirements and to communicate with IT to determine a resolution. It should be re-enforced that each directorate has a role as the driver for change, with the IT team being the enabler of the change required.</td>
<td>Information Services have developed ‘The IS Place’ within WRC’s Intranet (OurPlace). The intent has been a single place for staff to access IS services, IS policies and be informed around any current issues, security risks and the IS programme of work. This first iteration of this has been implemented, and we are currently in the process of appointing a Business Support Specialist who will assist in managing more effective ongoing communication and raising the profile of IS activities, the IS work plan and pipeline. Timeframe for this is March 2019 (the role starts in July 2018 and will be dependent on resources in the Communications team to progress).</td>
</tr>
</tbody>
</table>

**Risk**

Staff feeling isolated and having a belief that their views are not being heard may contribute to staff or teams going in their own direction without consultation with IT. IT may struggle to govern or support activities or system developed by individual directorates.

RESPONSIBILITY: John Crane

TARGET DATE: 31 March 2019
Appendix 1 - Internal Audit Objectives, Scope and Approach
INTERNAL AUDIT OBJECTIVE AND SCOPE

In accordance with Waikato Regional Council’s (“WRC”) Internal Audit Plan for FY2017/2018 approved by the Audit and Risk Committee, KPMG undertook an analysis of WRC’s IT governance and controls surrounding the delivery of technology requirements.

The objectives of the review was to:
— assess processes to define the IT strategy, information architecture and the direction of technology against ISACA’s framework for assessing control objectives within IT, and to
— identify and report on areas and opportunities for improvements in the processes and controls that assist with the delivery of IT.

The review sought to assess the following processes over the definition, maintenance and delivery of the technology strategy which helps the Council meet its business objectives.

<table>
<thead>
<tr>
<th>Review Element</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Strategy</td>
<td></td>
</tr>
<tr>
<td>IT value management</td>
<td>IT investments and costs are managed based on the business case and are minimised while achieving the required service levels to support business processes.</td>
</tr>
<tr>
<td>Business-IT alignment</td>
<td>IT and business management work together in strategic planning to achieve business and IT alignment and integration.</td>
</tr>
<tr>
<td>Strategic plan</td>
<td>A strategic plan has been implemented that defines how IT will contribute to and support enterprise strategic objectives and related costs and risk.</td>
</tr>
<tr>
<td>Portfolio management</td>
<td>IT-enabled investment programs are managed to ensure achievement of specific strategic business objectives by identifying, defining, evaluating, prioritising, selecting, initiating, managing and controlling programs.</td>
</tr>
<tr>
<td>Technological Direction</td>
<td></td>
</tr>
<tr>
<td>Technological Direction Planning</td>
<td>A formal technological direction planning process has been defined and implemented.</td>
</tr>
<tr>
<td>Technology Infrastructure Plan</td>
<td>A technology infrastructure plan that is in accordance with the IT strategic and tactical plans has been created and maintained.</td>
</tr>
<tr>
<td>Monitor Future Trends and Regulations</td>
<td>A process has been established and implemented to monitor the business sector, industry, technology, infrastructure, legal and regulatory environment trends, and these trends have been incorporated into the development of the IT technology infrastructure plan.</td>
</tr>
<tr>
<td>Technology Standards</td>
<td>A process has been established and implemented to provide consistent, effective and secure technological solutions enterprise-wide.</td>
</tr>
</tbody>
</table>

OUR APPROACH

The review was carried out using the following approach:
— Interviewed key WRC staff and reviewed documentation provided.
— Findings were discussed with the process owner at the conclusion of our meeting and a report detailing the findings and recommendations was drafted.
— Issued final report outlining our findings, recommendations, and process owner’s action.
### Classification of Internal Audit Ratings

#### AUDIT RATING

The audit ratings are defined as follows:

<table>
<thead>
<tr>
<th>RATING</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADEQUATE</td>
<td>Despite the fact that some control weaknesses were identified, existing controls within the audited process are considered to be generally adequate, appropriate and effective to ensure that the audited business processes will achieve their control objectives.</td>
</tr>
<tr>
<td>DEVELOPING</td>
<td>Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.</td>
</tr>
<tr>
<td>NOT EFFECTIVE</td>
<td>Existing controls are considered to be inadequate and ineffective to ensure that the audited business processes will achieve their control objectives. Significant improvements are required to improve the adequacy and effectiveness of the control environment.</td>
</tr>
</tbody>
</table>

#### RISK RATING

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

<table>
<thead>
<tr>
<th>RATING</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>Matters which are fundamental to the system of internal control. The matters observed can seriously compromise the system of internal control and data integrity and should be addressed as a matter of urgency.</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>Matters which are important to the system of internal control and should be addressed as soon as possible.</td>
</tr>
<tr>
<td>LOW</td>
<td>Matters which are unlikely to have a significant impact on the system of internal control, but should be addressed as part of continuous improvement.</td>
</tr>
</tbody>
</table>
Report to Audit and Risk Committee

Date: 3 May 2018
Author: Greg Ryan, Manager Business and Technical Services
Authoriser: Clare Crickett, Director Integrated Catchment Management
Subject: Waikato Regional Council flood protection asset risk management
Section: A (Committee has delegated authority to make decision)

Purpose

1. The purpose of this report is to provide the committee with an overview of the work areas currently underway to manage the risk associated with the flood protection assets managed by the Waikato Regional Council, and in particular the progress that has been made since the last report (February 2018). This report includes:
   a. An update on the work recently undertaken to assess the Waikato Regional Council assets that protect urban areas.
   b. An update on other asset management projects.
   c. Further information regarding business process improvements as a consequence of the lessons learnt from the Tauhei flood protection project.

Staff Recommendation:
That the report “Waikato Regional Council flood protection asset risk management” (Doc #12407393 dated 3 May 2018) be received.

Part A: Waikato Regional Council flood protection in urban areas

Background

2. After the April 2017 Edgecumbe flood event, council directed staff to undertake a qualitative assessment of council’s flood protection infrastructure in Ngatea, Thames, Paeroa, Te Aroha, Otorohanga and Huntly. This assessment consisted of council operational staff and a contracted engineer undertaking an asset walkover and visual assessment to identify issues such as:
   • General signs of instability or stress
   • External erosion
   • Over-steepened slopes; and
   • Encroachments (e.g. construction works, builds and trees).

3. The outcome of this assessment was the identification/recording of any observed asset defects, along with a preliminary assessment of the impact of that defect on the vulnerability of the asset to failure.
## Issues identified and progress made

<table>
<thead>
<tr>
<th>Issue</th>
<th>Progress (Oct 2017 to May 2018)</th>
</tr>
</thead>
</table>
| Remediation of damaged flood protection assets required, specifically in relation to: | • Council is addressing identified stopbank/floodwall defects as part of routine maintenance and renewals.  
• The sub-standard re-habilitation of stopbanks in Huntly has been remedied in two cases. Remediation has been completed at one site (Huntly wastewater pump station), with the second site expected to be completed by June 2018 (involving the relocation of the WDC asset to avoid encroachment into the stopbank).  
• Remedial options are continuing to be explored regarding the encroachment of dwelling foundations into a stopbank footprint (also in Huntly), with further investigations planned to assess the significance of this encroachment.  
• In lieu of any outstanding tasks, site-specific temporary emergency response plans are in place.  
• It is expected that all work will be completed by June 2018. |
| • Damage to stopbank crests, resulting in localised low points that may (to varying degrees) compromise the level of protection provided.  
• Vegetation encroaching onto stopbanks that may compromise structural integrity and impede inspections and maintenance.  
• Penetration of stopbanks by pipes (by third parties) that may (unless done properly) compromise structural integrity.  
• Over steepened stopbank batters that may increase vulnerability to failure.  
• Erosion around outlets. | |
| A need for council to focus on: | • Council will undertake a broader communications initiative to raise community awareness of flood protection infrastructure, the level of service provided and the importance of working with council when doing work in the vicinity of this infrastructure. This is what was initially expected to occur in April 2018, however other Council priorities (e.g. Long Term Plan and Councillor Tour) have delayed this initiative.  
• Council is continuing to explore options regarding the use of land that stopbanks are located on (e.g. where grazing is permitted through a land licence, consideration is being given to altering this land use and implementing alternatives such as hay/silage production). |
| • Raising the profile and benefits of urban flood protection infrastructure within the communities it protects.  
• Identifying and minimising unauthorised encroachments to urban flood protection infrastructure.  
• Reducing the potential impact of stock damage to urban flood protection infrastructure.  
• The importance of contingency plans when infrastructure upgrades are carried out over multiple years.  
• The role of good infrastructure design, construction and maintenance records in knowledge transfer between staff and other stakeholders.  
• Reporting on urban flood protection infrastructure separately from that protecting rural areas.  
• More rigorous analysis of monitoring of higher risk urban flood protection infrastructure (e.g. floodwalls); and  
• A more thorough assessment of urban flood protection infrastructure to inform stakeholder communication strategies, emergency response and civil defence planning. |
Part B: Other work areas related to flood protection asset management

Waikato Regional Council Infrastructure Strategy 2018 – 2067

4. Further to the last update to the committee, the Waikato Regional Council Infrastructure Strategy 2018 – 2067 has now been reviewed by Audit NZ, with only minor amendments required. The strategy will continue to be progressed as a supporting document to the proposed 2018-2028 Long Term Plan, and will be finalised in June 2018 (including any updates to reflect Council decisions).

5. In addition to the above review by Audit NZ, council has requested that the December 2016 report by PWC on river scheme asset and reserve management be updated by PWC to inform deliberations on the 2018-2028 Long Term Plan. This report will be presented to the committee when completed.

Asset management review – flood protection (KPMG)

6. Further to the last update to the committee, the proposed increase in resourcing for asset management (i.e. reliability engineer, maintenance planner and other funding to improve operational and asset management maturity) remains part of the proposed 2018-2028 Long Term Plan.

7. It is noted that, subsequent to the preparation of the business case to council, a small amendment will be put forward to council to establish the maintenance planner role in year 1 and the reliability engineer in year 2 (this was around the other way in the initial proposal). The amendment is being requested due to the immediate demand for an increase in capacity to plan for and report on maintenance activities, along with the need to inform the project to replace the Corporate System (including the Asset Management System).

Asset management maturity and improvement plan

8. The Regional Asset Management Plan will be presented to the Integrated Catchment Management Committee in May 2018, and ultimately adopted by council as part of the 2018-2028 Long Term Plan.

9. Included in the Regional Asset Management Plan is a Continuous Improvement Plan that responds to the recommendations for improvement included in the most recent KPMG Audit. It is also proposed that the achievement of this Continuous Improvement Plan be included in the suite of Key Performance Indicators for the Waikato Regional Council Chief Executive, reinforcing the priority being given to this particular work area by the organisation.

Waikato Regional Council dam safety (council owned assets)

10. Further to the last update provided to the committee regarding improvements that council is undertaking with regard to the management of council owned dams, the programme of work is now underway and is expected to be completed by June 2018. The programme includes:

   - Data collection (visual inspections completed, CCTV inspections underway, detailed survey requirements being scoped).
   - Systems and documentation (overview, operational maintenance and surveillance, and emergency assessment preparedness documents reviewed by Council staff and returned to consultant)
   - Detailed design and construction remedial work (conceptual designs completed, still pending completion of the above inspections).
   - Reprioritisation of outstanding maintenance tasks (completed).
Part C: Lessons learnt in relation to the development of the Tauhei flood protection project

11. As part of the last committee meeting, an overview of the Tauhei flood protection project was provided, including the factors that contributed to the increased cost, a chronology of reporting and engagement, and an overview of the lessons learnt.

12. During discussion, the committee requested further detail on the business process changes that have been made in response to the above lessons learnt, along with an update in 12 months on the progress being made against those changes.

13. The following table provides the requested information:

<table>
<thead>
<tr>
<th>Lesson learnt</th>
<th>Commentary on business process changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer to page 208 of 09/03/2018 report</td>
<td></td>
</tr>
<tr>
<td>“...report multi-year projects separately to the relevant committees of council to provide transparency.”</td>
<td>As part of the implementation of the project management framework, zone-specific Programme Control Groups and an overarching Programme Steering Group (to advise the Director) have been established, with an initial focus on the asset renewal work programme. This initial focus has now been expanded to include any large multi-year projects (currently Tauhei flood protection, s128 review of the Waikare Northern Outlet Gate, and the Muggeridges Pump Station). Monthly reports to these groups now include specific information on these multi-year projects, to ensure that the same project management rigour and discipline that is applied to annual asset renewal programmes is also applied to those larger projects that span longer timeframes, and in many cases have protracted development phases with changing constraints and assumptions. The oversight of this information by these groups is now also driving reporting outputs for relevant committees of Council, with a particular focus on gating stages/milestones where decisions are required to before a project can be allowed to continue (e.g. the need for additional resources, or a change to project scope or timing).</td>
</tr>
<tr>
<td>“…more explicitly report assumptions, cost, breakdown of costs and total costs on a regular basis to committees and communities for new works and prominent projects.”</td>
<td>The application of Council’s project management framework, including the establishment of project control, steering and gating, the development/approval of project management plans and regular reporting against project expenditure, milestones, issues and risks using Councils project reporting tool (pSoda), is expected to address these areas for improvement. As noted above, the initial focus</td>
</tr>
<tr>
<td>“All communications by Council staff with external parties are expected to be planned, recorded, agreed in correct forums and reported appropriately to ensure expectations and implications are clear.”</td>
<td></td>
</tr>
</tbody>
</table>
“Key information to be described and reported consistently against the typical project development process, with scope, budget allocation, expenditure and gating for each step.”

of this business improvement initiative was the annual asset renewal programme, however this has now been expanded to include capital new works and other prominent projects that span multiple years.

In addition to this, Council will be revising the templates used to scope and cost a project to ensure that project learnings and up-to-date market costs are accounted for in a more timely manner.

Overall conclusion

14. The effective management of flood risk by the Waikato Regional Council requires the coordination of a number of responsibilities that relate to matters such as land use, flood protection assets and emergency response. This coordination needs to focus on both the maintenance and upkeep of existing efforts to manage flood risk, while also monitoring, reporting and responding to changing expectations and emerging issues.

15. The information provided in this report provides the committee with an update regarding the areas of current focus and progress being made (all of which remains on-track, with no issues for the attention of the committee).
Report to Audit and Risk Committee

Date: 3 May 2018
Author: Janine Becker, Manager, Finance
Authoriser: Mike Garrett, Chief Financial Officer
Subject: Investment Management Policy review
Section: A (Committee has delegated authority to make decision)

Purpose
1. To present a revised Investment Management Policy for approval by the committee.

Executive Summary
2. As part of the 2018 – 2028 Draft Long Term Plan (LTP), the council has consulted on the commencement of an external borrowing programme to meet the costs of the renewal and upgrade of key infrastructure assets.
3. In order to support this change, the council’s Treasury Risk Management Policy has been updated, and endorsed by the Audit and Risk Committee at its last meeting.
4. In addition to the Treasury Risk Management Policy, the council also has an Investment Management Policy. The purpose of this policy is to provide guidance on the internal control policies and procedures by which the council’s Treasury function is operated.
5. In anticipation of the commencement of a borrowing programme, staff have had this policy reviewed by our Treasury advisers, PricewaterhouseCoopers (PwC). The proposed changes to this policy are presented to the committee for approval.

Staff Recommendation:
1. That the report “Investment Management Policy review” (Doc #12405368) be received, and
2. That the Audit and Risk Committee approve the revised Investment Management Policy as presented

Background
6. As part of the 2018 – 2028 Draft Long Term Plan (LTP), the council has consulted on the commencement of an external borrowing programme to meet the costs of the renewal and upgrade of key infrastructure assets. An updated Treasury Risk Management Policy, as required by section 102(4)(c) of the Local Government Act 2002, was endorsed by the Audit and Risk Committee at its meeting in March 2018.
7. In addition to the Treasury Risk Management Policy, the council also has an Investment Management Policy. The purpose of this policy is to provide guidance on the internal control policies and procedures by which the council’s Treasury function is operated. To date, the policy has not had to contemplate these
policies and procedures with respect to managing a debt programme as the council has historically been a net investor only. It has therefore been important to review this policy to ensure that procedures are in place ahead of any borrowing being undertaken.

8. The policy review has been completed by PwC, council’s Treasury advisers.

9. Key changes to the policy are:
   a. An update to the policy objective to recognise the expanded scope from investing funds and transacting to include borrowing
   b. An update to the policy objective to reference interest rate risk management, liquidity management and credit risk management
   c. An update to the Treasury Management structure to include the role of the Audit and Risk Committee in approving policies
   d. Minor changes to the responsibilities of staff involved in the Treasury function
   e. Updates to the delegated authorities within the Policy to include approvals for an external borrowing programme

10. A marked-up copy of the updated Investment Management Policy is appended to this report for the committee’s reference and approval.

Assessment of Significance
11. 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.

Conclusion
12. Given that the Council’s intention to commence an external borrowing programme from 1 July 2018, a review of the Investment Management Policy which provides guidance on internal control policies and procedures has been undertaken. The scope of the policy has been expanded to provide for both investment and borrowing management. Staff have taken the advice of PwC with respect to this policy review.

Attachments

Investment Management Policy (Doc 12325398)
Investment Management Policy

1.1 Introduction

The Council as required under Section 102(4)(c) of the Local Government Act 2002 adopted an Investment Policy (Policy) within the Waikato Regional Council’s (Council) overall Treasury Risk Management Policy. The purpose of the Treasury Risk Management Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Council. The formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed. The Investment Management Policy should be read in conjunction with the Treasury Risk Management Policy and provides guidance on internal control policies and procedures.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within Council continue to be well managed. In addition, regular reviews will be conducted to test the existing Policy against the following criteria:

- Industry “best practices” for a council the size and type of Council.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on Council’s financial exposure to market interest rate risks, funding risk, liquidity, counterparty credit risks and investment risks and other associated risks.
- The operation of a pro-active treasury management in an environment of control and compliance.
- The robustness of the Policy’s risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Assistance to Council in achieving strategic objectives relating to ratepayers.

It is intended that the Policy be distributed to all personnel involved in any aspect of the Council’s financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

1.2 Scope and objectives

1.2.1 Scope

- This document identifies the Policy and procedures of Council in respect of treasury management activities.
- The Policy has not been prepared to cover other aspects of Council’s operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Council cover these matters.
- Planning tools and mechanisms are also outside of the scope of this Policy.
1.2.2 Objectives

- Borrow funds, invest funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy so as to protect the Council’s financial assets and costs and to broadly maintain the real value of the Investment Fund.

- Minimise the Council’s costs and risks in the management of any future external borrowings.

- Minimise the Council’s exposure to adverse interest rate movements.

- Comply with financial ratios and limits stated within this Policy.

- Externally managed funds will comply with the council's Statement of Investment Policy and Objectives.

- Monitor the Council’s return on investments.

- Maintain appropriate liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.

- To manage investments to optimise returns in the long term whilst balancing risk and return considerations.

- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.

- Ensure the Council, management and relevant staff are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.

- Ensure that all statutory requirements of a financial nature are adhered to.

- To ensure adequate internal controls exist to protect the Council’s financial assets and to prevent unauthorised transactions.

- Develop and maintain relationships with financial institutions, LGFA, investors and investment counterparties.

- Monitor, evaluate and report on treasury performance.
1.3 Management responsibilities

1.3.1 Overview of management structure

- All treasury management activities are to be undertaken by that function.

- The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in the following section:
The Council has ultimate responsibility for ensuring that there is an effective Policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable, given the underlying objectives of Council.

The Council is responsible for approving the Investment Management Policy. While the Policy can be reviewed and changes recommended by other persons, the authority to make or change Policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of Council through the 10 year Long Term Plan (LTP) and the adopted Annual Plan.
- Approving new debt through the adoption of the LTP, Annual Plan, specific Council resolution and approval of this Policy.
- Approving the establishment of externally managed investment funds;
- Approving the Investment Management Policy incorporating the following delegated authorities:
  - borrowing, investment and dealing limits and the respective authority levels delegated to the Chief Executive, Chief Financial Officer and other management;
  - counterparties and credit limits;
  - risk management methodologies and benchmarks;
  - guidelines for the use of financial instruments;
  - receive an annual review report on the Policy;
- Evaluating and approving amendments to Policy.
- Approving budgets and high level performance reporting.
- Approve the appointment of the Trustee to the Debenture Trust Deed.
- Delegate authority to the Chief Executive and other officers.

The Council should also ensure that:

- It receives regular information from management on risk exposure and financial instrument usage in a form that is understood, and that enables it to make informed judgements as to the level of risk undertaken.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved in a timely manner.
- Submissions are received from management requesting approval for one-off transactions falling outside Policy guidelines or LTP/Annual Plan approvals.
1.3.3 Finance Committee

As detailed in the terms of reference for the committee as approved by the Council, the committee will oversee the implementation of the treasury management strategies and monitor and review the effective management of the treasury function.

A committee of the Council, such as the Finance Committee, may be delegated responsibility as follows:

- Receiving and reviewing monthly treasury report.
- Receiving recommendations from the Chief Financial Officer and make submissions to the Council on all treasury matters requiring the Council approval.
- Monitoring performance against benchmarks at least quarterly.

1.3.4 Audit and Risk committee

- Recommending the Treasury Risk Management Policy and Investment Management Policy (or changes to existing policies) to the Council.
- Recommending performance measurement criteria for all treasury activity.

1.3.5 Chief Executive

While the Council has final responsibility for the Policy governing the management of the Council’s risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive.

In respect of treasury management activities, the Chief Executive’s responsibilities include:

- Ensuring the Treasury Management Policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approve opening and closing of bank accounts to be ratified by the Council at following council meeting.
- Approve new counterparties and counterparty limits.
- Approve any working capital facilities required to meet the Council’s liquidity requirements.
- Approve new borrowing undertaken in line with the Council resolution and approved borrowing strategy.

1.3.6 Chief Financial Officer

The Chief Financial Officer’s responsibilities are as follows:

- Management responsibility for borrowing and investment activities.
- Recommend Policy changes to the Audit and Risk Committee for evaluation.
• Ongoing risk assessment of borrowing and investment activity including procedures and controls.

• Approve treasury transactions in accordance with Policy parameters outside of the Manager, Finance delegated authority.

• Authorise the use of approved interest rate risk management instruments within discretionary authority.

• Propose new funding requirements to the Chief Executive, Finance Committee and Audit and Risk Committee for consideration and submission to the Council.

• Review and make recommendations on all aspects of the Treasury Risk Management Policy to the Chief Executive and Finance Committee, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.

• Conduct a review, at least tri-annually, of the Treasury Risk Management Policy, treasury procedures and counterparty limits.

• Receive advice of breaches of Treasury Risk Management Policy and significant treasury events from the Manager, Finance.

• Manage the long term financial position of the Council as outlined in the LTP.

• Investigate financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to the Chief Executive and Finance Committee as appropriate.

• Oversee relationships with financial institutions, investors, banks, brokers and the LGFA.

• Negotiate borrowing facilities and re-finance existing debt (where in line with the Council resolution and approved borrowing strategy).

• Authorise interest rate hedge transactions (swaps, Forward Rate Agreements (FRAs) and options) with bank counterparties to change the fixed: floating mix to re-profile the Council’s interest rate risk position on either debt or investments.

• Design, analyse, evaluate, test and implement risk management strategies to position the Council’s interest rate risk profile to be protected against adverse market movements within the approved Policy limits.

1.3.7 Manager, Finance

The Manager, Finance’s responsibilities are as follows

• Ensure management procedures and policies are implemented in accordance with this Investment Management Policy.

• Ensure all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
Monitor and review the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year.

Review and approve borrowing and investment system/spreadsheet reconciliations to general ledger.

Recommend authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.

Approve all amendments to the Council records arising from checks to counterparty confirmations.

Account for all treasury transactions in accordance with legislation and generally accepted accounting principles, the Council’s accounting and funding and financial policies.

Report breaches of Treasury Risk Management Policy and significant treasury events to the Chief Financial Officer.

1.3.8 Accounting Services Team Leader

The Accounting Services Team Leader runs the day-to-day activities of the Council’s treasury management function. In their absence, the Manager, Finance will take over their responsibilities. Responsibilities are as follows:

- Execute treasury transactions in accordance with set limits and provide copy of completed deal ticket documentation to Financial Accountant.

- Monitor treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.

- Deliver reports to the Manager, Finance covering cash/liquidity, investment profile, funding profile and interest rate risk position, and performance.

- Complete cash flow forecast and co-ordinate daily and weekly cash management.

- Manage the operation of all bank accounts.

- Send confirmation of all relevant delegated authorities to all bank counterparties at least annually.

- Handle all administrative aspects of bank counterparty agreements and documentation such as loan agreements and ISDA swap documents.

- Prepare treasury reports.

- Monitor all treasury exposures daily.

- Monitor credit ratings of approved counterparties.

- Co-ordinate documentation for treasury transactions.

- Update treasury spreadsheets for all new, re-negotiated and maturing transactions.
• Update credit standing of approved counterparty credit list on a quarterly basis.
• Quarterly, provide short term and long-term cash flow and debt projections to the Manager, Finance.
• Check compliance against limits and prepare exceptions-based reporting.
• Report quarterly on the key performance indicator(s).

1.3.9 Financial Accountant

The responsibilities of the Financial Accountant include:

• Check all treasury deal confirmations against deal ticket documentation and report any irregularities immediately to the Chief Financial Officer.
• Reconcile monthly summaries of outstanding financial contracts from banking counterparties to internal records.
• Complete monthly reconciliation work papers for all on call and term deposit funds held.
• Complete documentation for treasury transactions.

1.3.10 Delegation of authority and authority limits

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:

• All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.

• A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind The Council.

Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.
The Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Delegated Authority</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approving and changing Policy</td>
<td>The Council</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Approve external borrowing programme for year as per Annual Plan / LTP</td>
<td>The Council; Chief Executive (in accordance with Council resolution)</td>
<td>Unlimited (subject to legislative and other regulatory limitations)</td>
</tr>
<tr>
<td>Acquisition and disposition of investments other than financial investments</td>
<td>The Council</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Approval for charging assets as security over borrowing</td>
<td>The Council</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Appoint Debenture Trustee</td>
<td>The Council</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall day-to-day risk management</td>
<td>Chief Executive (delegated by the Council); Chief Financial Officer (delegated by Chief Executive)</td>
<td>Subject to Policy</td>
</tr>
<tr>
<td>Appointment of Investment Advisor and approving new externally managed funds</td>
<td>The Council</td>
<td>Unlimited (subject to legislative and other regulatory limitations)</td>
</tr>
<tr>
<td>Approving transactions outside Policy</td>
<td>The Council</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Mandating of any external funds management</td>
<td>The Council</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Re-financing existing debt</td>
<td>Chief Executive (delegated by the Council); Chief Financial Officer (delegated by Chief Executive)</td>
<td>Subject to Policy</td>
</tr>
<tr>
<td>Adjust external core debt or net investment interest rate risk profile</td>
<td>Chief Financial Officer</td>
<td>Per risk control limits</td>
</tr>
<tr>
<td>Managing funding and investment maturities in accordance with The Council approved risk control limits</td>
<td>Chief Financial Officer</td>
<td>Per risk control limits</td>
</tr>
<tr>
<td>Maximum daily transaction amount (borrowing, investing, interest rate risk management and cash management) excludes roll-overs on floating rate investments and interest rate roll-overs on swaps and at call investments</td>
<td>The Council; Chief Executive (delegated by the Council); Chief Financial Officer; Manager, Finance</td>
<td>Unlimited; $50 million; $25 million; $2 million &lt; 12 months (investments); $5 million &lt; 10 years (borrowing and interest rate instruments)</td>
</tr>
<tr>
<td>Authorising lists of signatories</td>
<td>Chief Executive</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Approve counterparties and counterparty credit limits</td>
<td>Chief Executive</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Opening/closing bank accounts</td>
<td>Chief Executive</td>
<td>Ratified at following Finance Committee meeting</td>
</tr>
<tr>
<td>Tri-annual review of Policy</td>
<td>Chief Financial Officer</td>
<td>N/A</td>
</tr>
<tr>
<td>Ensuring compliance with Policy</td>
<td>Chief Financial Officer</td>
<td>N/A</td>
</tr>
</tbody>
</table>

All management delegated limits are authorised by the Chief Executive.
1.4 Operational risk
Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the phone.
- Operational risk is minimised through the adoption of all requirements of this Policy.

1.4.1 Dealing authorities and limits
Transactions will only be executed by those persons and within limits approved by the Council.

1.4.2 Segregation of duties
Adequate segregation of duties among the core treasury functions of deal execution, confirmation, settling and accounting/reporting. There are a small number of people involved in treasury activity. Accordingly strict segregation of duties is not always achievable. The risk will be minimised by the following process:

- A 'two authorisations' process is strictly enforced for all treasury settlements (i.e. fund transfers).
- The Financial Accountant reports any irregularities upon independently checking deal confirmation, to the Chief Financial Officer.

A documented approval and reporting process for borrowing and investment activity.

1.4.3 Procedures
All treasury products should be recorded and diarised within a treasury system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting must be completed immediately following execution/confirmation. Deal confirmations must be attached to the deal ticket approval form approved as required by the Chief Financial Officer, or equivalent.

Procedures should include:

- Regular management reporting.
- Regular risk assessment, including review of procedures and controls as directed by the Council or appropriate subcommittee of the Council.
- Organisational, systems, procedural and reconciliation controls to ensure:
  - All borrowing and investment activity is bona fide and properly authorised.
  - Checks are in place to ensure the Council accounts and records are updated promptly, accurately and completely.
  - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity.
Organisational controls
- The Chief Financial Officer or equivalent has responsibility for establishing appropriate structures, procedures and controls to support treasury activity.
- All investment, cash management and risk management activity is undertaken in accordance with approved delegations authorised by the Council.

Cheque/Electronic banking signatories
- Positions approved by the Chief Executive as per register.
- Dual signatures are required for all cheques and electronic transfers.
- Authorisation of all electronic funds transfers requires two designated authorisers, one of whom must include the Chief Executive Officer, Chief Financial Officer or Manager, Finance. Note this is not intended to cover electronic funds transfers made in the course of Council payment runs, but only to Treasury instrument transfers.
- Cheques must be in the name of the counterparty crossed "Not Negotiable, Account Payee Only" or "Not Transferable, Account Payee Only", via the Council bank account.

Authorised personnel
- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

Recording of deals
- All deals are recorded by the Accounting Services Team Leader and approved as required by the Chief Financial Officer. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) are maintained and updated promptly following completion of transaction.

Confirmations
- All inward letter confirmations including LGFA/bank funding derivatives and registry confirmations are received and checked by the Financial Accountant against summary spreadsheets records to ensure accuracy.
- All deliverable securities are held in the Council’s safe.
- Deals, once confirmed, are filed (deal ticket and attached confirmation) in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to the Council records are signed off by the Chief Financial Officer.

Settlement
- The majority of borrowing and investment payments are settled by direct debit authority.
- For electronic payments, batches are set up electronically. These batches are checked by the Accounting Services Team Leader or Manager, Finance to ensure settlement details are correct. Payment details are authorised by two approved signatories as per the Council registers.

Reconciliations
- Bank reconciliations are performed monthly by the Financial Accountant or Assistant Accountant and checked and approved by the Manager, Finance, or equivalent. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council’s records are signed off by the Chief Financial Officer, or equivalent.
- A monthly reconciliation of borrowing and investment spreadsheets (call accounts, term deposits) to the general ledger is carried out by the Financial Accountant or Assistant Accountant and reviewed by the Manager, Finance, or equivalent.
– A monthly reconciliation of the investment fund spreadsheets to the general ledger is carried out by the Accounting Services Team Leader and reviewed by the Manager, Finance, or equivalent.

1.4.4 Legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks. In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation.

Council will seek to minimise this risk by adopting Policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice for any non-standardised transactions.

1.4.5 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with the Council. In the absence of an ISDA document a “long form confirmation” is acceptable so long as a master ISDA is signed with the bank counterparty following such a transaction.

The Council’s internal/appointed legal counsel must sign off on all documentation for new loan borrowings facilities, re-financing facilities and investment structures.

1.4.6 Financial covenants and other obligations

The Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

The Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

1.5 Cash management

The Accounting Services Team Leader has the responsibility to carry out the day-to-day cash and short-term debt management activities.

- The Accounting Services Team Leader will calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), and monthly (12 months forward) basis. These cash flow forecasts determine Council’s funding gaps, borrowing requirements and surpluses for investment.
- On a daily basis, electronically download all the Council bank account information.
- Coordinate the Council’s operating units to determine cash inflows and outflows with the objective of managing the cash position within approved parameters.
- Undertake short term investment functions as required, minimising costs.
- Ensuring efficient cash management through improvement to accurate forecasting using spreadsheet modelling.
- Minimise fees and bank/Government charges by optimising bank account/facility structures.
- Monitor the Council’s usage of overdraft and cash advance facilities.
- Match future cash flows to smooth overall timeline.
- Provide reports detailing actual cash flows during the month compared with those budgeted.
- Maximise the return from available funds by ensuring significant payments are made within the vendor’s payment terms, but no earlier than required, unless there is a financial benefit from doing so.
- Cash is to be invested in approved instruments and counterparties only.

### 1.6 Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and approved instruments must be taken into account.

#### 1.6.1 Reporting

The following reports are produced:

<table>
<thead>
<tr>
<th>Report Name</th>
<th>Frequency</th>
<th>Prepared by</th>
<th>Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Cash Position</td>
<td>Daily</td>
<td>Financial Accountant</td>
<td>Manager, Finance</td>
</tr>
<tr>
<td>Treasury Exceptions Report</td>
<td>Daily</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Risk Exposure position (including funding and interest rate positions, liquidity risk position and counterparty credit risk position)</td>
<td>Monthly</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer / Manager, Finance</td>
</tr>
<tr>
<td>Risk Management performance</td>
<td>Monthly</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer / Manager, Finance</td>
</tr>
<tr>
<td>Policy Compliance</td>
<td>Monthly</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer / Manager, Finance</td>
</tr>
<tr>
<td>Interest rate exposure report</td>
<td>Monthly</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer / Manager, Finance</td>
</tr>
<tr>
<td>Cash flow forecast report</td>
<td>Monthly</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer / Manager, Finance</td>
</tr>
<tr>
<td>Summary Treasury Report</td>
<td>Monthly</td>
<td>Accounting Services Team Leader</td>
<td>Chief Financial Officer Finance Committee</td>
</tr>
<tr>
<td>Quarterly Treasury Strategy Paper</td>
<td>Quarterly</td>
<td>Investment Advisor</td>
<td>Chief Financial Officer Chief Executive/The Council</td>
</tr>
</tbody>
</table>
1.6.2 Accounting treatment of financial instruments

The Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates. The purpose of this section is to articulate Council’s accounting treatment of derivatives in a broad sense.

Under New Zealand Public Benefit Entity (PBE) International Public Sector Accounting Standards (IPSAS) changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

Council’s principal objective is to actively manage the Council’s interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council’s annual accounts.

1.6.3 Valuation of Treasury instruments

All treasury financial instruments must be revalued (marked-to-market) every three months for risk management purposes. This includes those instruments that are used only for hedging purposes.

Underlying rates to be used to value treasury instruments are as follows:

- Official daily settlement prices for established markets.
- Official daily market rates for short term treasury instruments (e.g. FRA settlement rates calculated by Reuters from price maker quotations as displayed on the BKBM page).
- Relevant market mid-rates provided by the company’s bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments.
- For markets that are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the Chief Financial Officer.
Waikato Regional Council Fraud Policy

Introduction
The Waikato Regional Council (the council) will not tolerate any fraud, theft or corruption. The purpose of this Policy is to ensure that there is a process in place for fraudulent, corrupt, dishonest and inappropriate actions to be identified and dealt with. Should fraud occur, the council will investigate and, where appropriate, refer the case to the appropriate law enforcement agency with a view to prosecution. Recovery of public resources will be pursued whenever possible and practicable. Where recovery from the person is not possible, recovery from the council’s insurers will be sought.

This Policy forms an integral part of the council’s fraud risk management framework as shown in Appendix One. This Policy is required to be read in conjunction with other council policies, specifically:

- Gifts and Personal Benefits Policy (#1946266)
- Sensitive Expenditure Policy (#1946242)
- Travel and Accommodation Policy (#1946226)
- Entertainment Expenditure Policy (#1946226)
- Purchasing Card Policy (#1946273)
- Protected Disclosures (Whistleblower) Policy (#11848741)
- Staff Delegations Manual (Financial #4065533 and Procedural #4068255)
- Vehicles Policy (#2062401)
- Information Services Standards (http://ispolicies/index.html)

Definitions
The following definitions will apply:

**Fraud:** an intentional and dishonest act that involves deception or misrepresentation to obtain or potentially obtain an advantage for themselves or any other person.

**Theft:** to dishonestly and without claim of right, take or deal with any property with intent to deprive any owner permanently of the property or interest in it.

**Bribery:** the offering, giving, receiving or soliciting of any item of value to influence the actions of a person in charge of a public or legal duty.

**Corruption:** the abuse of entrusted power for private gain.

**Inappropriate:** behaviour that is deemed unacceptable.

**Dishonest:** an act that is not truthful.

**Scope of Policy**
This Policy applies to any suspected fraud, theft or corruption involving employees, elected members, consultants, vendors, contractors, outside agencies, members of the public and/or other parties with a business relationship with the council.

Any investigative activity required will be conducted without regard to the suspected wrong-doer’s length of service, position/title, or relationship to the council.

Actions constituting fraud, theft or corruption include, but are not limited to:

- **Fraud**
  - Any dishonest or fraudulent act;
  - Forgery or alteration of any document or account belonging to the council;
  - Forgery or alteration of a cheque, bank draft, or any other financial document;
  - Falsification of employee records, including time and attendance records;
  - Intentional misstatement of financial information;
  - Intentional misstatement of compliance with council policies and procedures;
  - Impropriety in handling the reporting of money or financial transactions;
  - An individual falsely representing him or herself as either another person or a fictitious person to an agency for some benefit;
  - Unauthorised destruction, removal or inappropriate use of records, information systems, furniture, fixtures and equipment;

- **Theft**
  - Misappropriation of funds, securities, supplies, or other assets;
  - Unauthorised use of council property;
  - Theft, pilferage or unauthorised removal of property of the council or of others;

- **Corruption**
  - Profiteering as a result of insider knowledge of activities;
  - Soliciting or receiving gifts or other gratuities to perform part of an official function, or omit to perform an official duty;
  - Disclosing confidential and proprietary information to outside parties;
  - Accepting or seeking anything of material value for personal benefit as an individual, or for any associates, (including family members, trusts or any other individual or entity), from contractors, vendors or persons providing services, goods or materials to the council;
  - Inappropriate or unauthorised use of computer systems, communications systems, networks and data which may expose the council to security threats and a wide range of legal issues.

If there is any question as to whether an action constitutes fraud, theft or corruption, guidance should be sought from the Chief Executive Officer.

**Fraud Prevention**

The Executive Leadership Team is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Each member of the Executive Leadership Team shall be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.
Each member of the Executive Leadership Team is responsible for ensuring that adequate internal controls are in place in his or her area of responsibility to mitigate the risk of any fraud, theft or corruption occurring.

When recruiting or promoting employees to positions of trust, the Manager responsible for the recruitment must ensure that:

(i) Independent checks of the potential employee’s employment history are undertaken;
(ii) Processes are undertaken, in accordance with the council’s Human Resources Policies, to ensure the potential employee is suitable for the position. Pre-employment screening may include:
   a. credit checks, where the position will hold a financial delegation,
   b. confirmation of qualifications, where these are a requirement for the role, and
   c. police checks, where the position will be in contact with children.

The risk of fraud will be minimised through:
(i) The application of consistent policies and processes, and robust internal control frameworks, which are monitored and reviewed regularly, particularly in those areas susceptible to fraud;
(ii) Implementation of a risk management programme, which is monitored six monthly by the Audit and Risk Committee;
(iii) External audits of the Council’s financial statements, in accordance with legislative requirements;
(iv) Promotion of ethical behaviour through induction, training and performance development programmes.

**Reporting suspected fraud, theft or corruption**
Any employee who suspects dishonest or fraudulent activity will notify the Chief Executive Officer immediately, and shall not attempt to personally conduct investigations or interrogations. Such notification may be given verbally or in writing (which includes via email). The Chief Executive Officer is responsible for coordinating all investigations.

Employees may disclose fraud, theft or corruption under the provisions of the Protected Disclosures Act 2000. The purpose of this Act is to promote the public interest by facilitating the disclosure and investigation of matters of serious wrongdoing in or by an organisation, and to provide protection to employees who make disclosures of information about serious wrongdoing. When disclosure is made under the Protected Disclosures Act 2000, the procedures outlined in the council’s Protected Disclosures (Whistleblower) Policy shall be followed. Disclosures made under the Protected Disclosures (Whistleblower) Policy will be reported in the first instance to the Chief Executive Officer or the independent Chair of the Audit and Risk Committee (or their delegated representative(s)).

Support will be provided to staff reporting suspected fraud through the council’s People and Capability team. Utilisation of services such as the Employee Assistance Programme will be promoted.
**Fraud Investigation**

If after preliminary enquiries fraud is suspected then an investigation in accordance with the council’s disciplinary procedures will be conducted to gain all relevant facts. The Chief Executive Officer has the primary responsibility for the investigation of all suspected fraudulent acts, except where the suspected fraud may involve:

(i) the Chief Executive, in which case the independent Chair of the Audit and Risk Committee will have primary responsibility for conducting the investigation; and

(ii) an elected member, in which case the independent Chair of the Audit and Risk Committee will have primary responsibility for conducting the investigation.

Upon notification of a suspected fraudulent act, the Chief Executive Officer shall:

(i) Notify the Chair of the Audit and Risk Committee; and

(ii) Where reasonably practicable, seek appropriate legal counsel or other professional advice before any investigation begins.

The Chief Executive Officer may, when of the opinion that an employee may have been guilty of serious misconduct or fraud, suspend the employee immediately from work in accordance with the employee’s Collective Employment Agreement or Individual Employment Agreement. During this period of time, the Chief Executive Officer (as employer) will initiate the investigation into the circumstances of the alleged misconduct and give the employee an opportunity to comment on any allegation made against them. The Chief Executive Officer may delegate these responsibilities to a suitable Director.

Suspension is appropriate where there is a danger that evidence may be destroyed, altered or removed or that coercion of witnesses may occur. The Manager of People and Capability must be consulted before any decision is made to suspend an employee to ensure that correct processes are used.

In undertaking any investigation, the Chief Executive Officer, may:

(i) Establish an investigation team to examine the suspected fraud. The Manager of People and Capability must be a member of the investigation team;

(ii) Use external resources for investigations, if deemed appropriate.

If the investigation substantiates that fraudulent activities have occurred, all reasonable and practical steps will be taken to recover funds / assets lost as a result. The Chief Executive Officer shall:

(i) Consult with legal counsel regarding the referral of the investigation results to the appropriate law enforcement and/or regulatory agencies for independent investigation on completion of the disciplinary procedure;

(ii) Report the results of the investigation to the Audit and Risk Committee. This report will include a summary of the actions to be taken to prevent similar activities occurring in the future.

When investigating fraud the Chief Executive Officer (or delegated Director) and members of the investigation team shall have free and unrestricted access to all council records and premises and the authority to examine, copy and/or remove all, or any portion of, the contents of files, desks, cabinets, computers and other storage facilities on the premises
without prior knowledge or consent of any individual who may use or have custody of any such items or facilities, when it is within the scope of their investigation.

**Confidentiality**
The Executive Leadership Team shall treat all information received with confidence. Any staff involved as part of an investigation team shall also treat all information received with confidence.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the council from potential civil liability.

All enquiries concerning the activity under investigation from the suspected individual, his or her lawyer or representative, or any other person should be directed to the Chief Executive Officer.

No information regarding the status of the investigation will be released. The proper response to any enquiries shall be “I am not at liberty to discuss this matter”. Under no circumstances should any reference be made to “the allegation”, “the crime”, “the fraud”, “the forgery”, the misappropriation” or any other specific reference.

**External Communication**
All statements to the media or public regarding fraud, theft or corruption should be made by the Chief Executive Officer.

The Chief Executive Officer must notify the fraud, or suspected fraud, to Council’s external auditors and insurers as and when appropriate.

**Disciplinary Issues**
At the conclusion of the investigation the Manager of People and Capability, in consultation with the relevant Director, will initiate any resulting disciplinary action in accordance with the council’s disciplinary procedures, or any other applicable procedures or policies.

**Termination**
Following an investigation and after the completion of the disciplinary procedure, where a decision to terminate is made by a Manager delegated to carry out the enquiry, the decision will be reviewed for confirmation by the Chief Executive before any such action is taken. If necessary, outside legal counsel may be sought for advice before any such action is taken.

**Measurement and Review**
Notified fraudulent acts and progress on investigations will be reported to the Audit and Risk Committee as and where appropriate.
Irrespective of the outcome of the investigation council will undertake an internal control review to avoid people coming under suspicion unnecessarily and to address any perceived weaknesses in the control environment.

The Chief Executive Officer is responsible for the administration, revision, interpretation, and application of this Policy. The Policy will be reviewed and revised where necessary every two years.

Staff Contact:
Karen Bennett
Manager Chief Executives Office

Policy Review Date: May 2020 (2 yearly), or sooner if required
## Fraud risk management framework

<table>
<thead>
<tr>
<th>Organisation culture and values</th>
<th>Code of Conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prevention</strong></td>
<td></td>
</tr>
<tr>
<td>Internal audit programme</td>
<td></td>
</tr>
<tr>
<td>Recruitment policies, and pre-employment screening</td>
<td></td>
</tr>
<tr>
<td>Risk management framework and reporting</td>
<td></td>
</tr>
<tr>
<td>Delegation manuals</td>
<td></td>
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<tr>
<td>Procurement policy</td>
<td></td>
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<tr>
<td>Contracts process</td>
<td></td>
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<tr>
<td>Purchasing card policy</td>
<td></td>
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<tr>
<td>Sensitive expenditure policy</td>
<td></td>
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<tr>
<td>Entertainment expenditure policy</td>
<td></td>
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<tr>
<td>Conflict of interest with supplier guidelines</td>
<td></td>
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<tr>
<td>Gifts and personal benefits policy, and gift register</td>
<td></td>
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<tr>
<td>Information Services Standards</td>
<td></td>
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<tr>
<td>Travel and accommodation policy</td>
<td></td>
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<tr>
<td>Outside employment policy</td>
<td></td>
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<tr>
<td>Vehicles policy</td>
<td></td>
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<tr>
<td>Employment of ex council staff as consultants and/or contractors</td>
<td></td>
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<tr>
<td><strong>Detection</strong></td>
<td></td>
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<tr>
<td>Fraud policy</td>
<td></td>
</tr>
<tr>
<td>Protected disclosures</td>
<td></td>
</tr>
<tr>
<td>Purchasing card policy (PCard audit process)</td>
<td></td>
</tr>
<tr>
<td>Purchase Order audits</td>
<td></td>
</tr>
<tr>
<td>Contract audits</td>
<td></td>
</tr>
<tr>
<td>IT policy (regular use reviews and audit)</td>
<td></td>
</tr>
<tr>
<td>Employee assistance programme (EAP)</td>
<td></td>
</tr>
<tr>
<td>Finance audit and review procedures (reconciliations and financial monitoring / exception reporting)</td>
<td></td>
</tr>
<tr>
<td>Reports to ELT and council</td>
<td></td>
</tr>
<tr>
<td><strong>Response</strong></td>
<td></td>
</tr>
<tr>
<td>Fraud policy</td>
<td></td>
</tr>
<tr>
<td>Protected disclosures</td>
<td></td>
</tr>
<tr>
<td>Complaints procedure</td>
<td></td>
</tr>
<tr>
<td>Warnings procedure</td>
<td></td>
</tr>
<tr>
<td>Disciplinary procedures</td>
<td></td>
</tr>
<tr>
<td>Fidelity insurance</td>
<td></td>
</tr>
</tbody>
</table>

## Employment agreements
Report to Audit and Risk Committee

Date: 3 May 2018
Author: Sarah Jones, Senior Legal Advisor
Authoriser: Karen Bennett, Manager Chief Executive’s Office
Subject: Policy Review Schedule Update
Section: A (Committee has delegated authority to make decision)

Purpose

1. To provide an update on the Waikato Regional Council (Council) policies that are due for review/renewal this quarter and to get the Fraud Policy approved by the Audit and Risk Committee.

<table>
<thead>
<tr>
<th>Staff Recommendation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. That the report Policy Review Schedule Update (Doc#12279317 dated 3 May 2018) be received.</td>
</tr>
<tr>
<td>2. That the Fraud Policy (Doc#2655970) be approved.</td>
</tr>
</tbody>
</table>

2. In March 2017 the Audit and Risk Committee approved the Council Policy Schedule.

3. There was one policy due for review this quarter.

Fraud Policy

4. The Fraud Policy has been updated and a marked up version showing the changes made is attached for approval by the Audit and Risk Committee.

Attachments:

Fraud Policy (Doc#2655970)
Appendix 1 – Policy Review Schedule Update

<table>
<thead>
<tr>
<th>Policy</th>
<th>Review Cycle</th>
<th>Review Date</th>
<th>Person Responsible</th>
<th>Authority</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Management Review</td>
<td>2 yearly</td>
<td>April 2018</td>
<td>Chief Financial Officer</td>
<td>ELT</td>
<td>This Policy has been reviewed by key staff within the Contracts Workgroup, with minor changes being made and will be submitted to ELT for approval.</td>
</tr>
</tbody>
</table>
Report to Audit and Risk Committee

Date: 26 April 2018
Author: Janine Becker, Manager, Finance
Authoriser: Mike Garrett, Chief Financial Officer
Subject: 2017/18 Annual Report - Accounting Estimates and Judgements
Section: A (Committee has delegated authority to make decision)

Purpose
1. This report provides the committee with an overview of the process for the preparation and approval of the accounting estimates and judgements that underpin the financial statements included in the 2017/18 Annual Report.

Executive Summary
2. As part of the preparation of the year-end financial statements which are incorporated into the Annual Report, staff review key accounting estimates and judgements and report these to the committee for approval.

3. Where estimates are currently available, these are reported. For other matters, staff will report these to the August 2018 committee meeting. These will be discussed with the independent members of the Audit and Risk committee ahead of the meeting to ensure that they are comfortable with the adjustments proposed by staff in advance of the accounts being finalised and the year-end audit commencing.

Staff Recommendation:
That the report “2017/18 Annual Report - Accounting Estimates and Judgements” (Doc #12379572 dated 26 April 2018) be received.

Background
4. As part of the preparation of the year-end financial statements which are incorporated into the Annual Report, staff review key accounting estimates and judgements and report these to the committee for approval. These estimates include:
   - Asset valuation changes (infrastructure assets; land and buildings; forestry assets)
   - Useful lives of assets and associated depreciation rates
   - Provisions for doubtful debts
   - Employee entitlements
   - Investments in council-controlled organisations

5. Infrastructure assets
A desktop review of the change in values since the completion of the last full revaluation of infrastructure assets at 31 December 2016 has been commissioned through AECOM NZ Ltd.
6. **Land and buildings**
   A desktop review of the change in values since the completion of the last full revaluation of operational land and buildings at 30 June 2017 has been commissioned through QV and is expected to be delivered in the first two weeks of June 2018. In light of the decision in front of the council on future accommodation requirements, market valuations are being sought for the properties owned by the council in Hamilton East (being 401 and 319 Grey Street).

7. **Forestry assets**
   Under the Waihou Valley Scheme, the council maintains two forestry blocks – Kuaoiti Forest and Ryan’s Block Forest. The land is gazetted as soil and river control reserve and is owned by the Waikato Regional Council.

   An annual valuation of the tree crop is undertaken in accordance with PBE IPSAS 27 Agriculture. Market value equates to fair value as defined by this standard.

   PF Olsen have been engaged to undertake the valuation, and are expected to deliver the valuation in the first two weeks of June 2018.

8. **Asset useful lives**
   The following table summarises the current economic lives for each of the operational fixed asset classes:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Useable life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings - concrete</td>
<td>25 - 75</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>7.5</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>4 - 5</td>
</tr>
<tr>
<td>Office furniture</td>
<td>7.5</td>
</tr>
<tr>
<td>Plant items</td>
<td>7.5 - 10</td>
</tr>
<tr>
<td>Air conditioning</td>
<td>20</td>
</tr>
</tbody>
</table>

   There have been no significant write off or impairment of assets disposed during the year that would suggest a review of depreciation rates is required.

   Economic lives of infrastructure assets were reviewed in 2016 as part of the full asset revaluation, and no write off or impairment of infrastructure assets disposed during the year would suggest a review of depreciation rates is required.

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Useable life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridges</td>
<td>50 – 100</td>
</tr>
<tr>
<td>Channels</td>
<td>100</td>
</tr>
<tr>
<td>Control gates</td>
<td>50</td>
</tr>
<tr>
<td>Culverts</td>
<td>50 – 80</td>
</tr>
<tr>
<td>Debris traps</td>
<td>100</td>
</tr>
<tr>
<td>Detentions</td>
<td>80</td>
</tr>
<tr>
<td>Drop structures</td>
<td>50 - 80</td>
</tr>
<tr>
<td>Fencing</td>
<td>30</td>
</tr>
<tr>
<td>Flood gates</td>
<td>20 - 80</td>
</tr>
<tr>
<td>General structures</td>
<td>20 – 80</td>
</tr>
<tr>
<td>Plantings</td>
<td>Not depreciated</td>
</tr>
<tr>
<td>Pump stations</td>
<td>20 - 80</td>
</tr>
<tr>
<td>Retaining structures</td>
<td>30 - 100</td>
</tr>
<tr>
<td>River training works</td>
<td>50 – 100</td>
</tr>
<tr>
<td>Stopbanks</td>
<td>20 - 100</td>
</tr>
<tr>
<td>Weirs</td>
<td>100</td>
</tr>
</tbody>
</table>
9. Asset impairments
   Staff are undertaking a review of assets to assess for impairment. A known provision will be required in
   relation to a section of a flood protection stopbank that has slumped following renewal works undertaken
   in February 2018.

10. Provisions for doubtful debts
    The provision for doubtful debts is considered in relation to the two areas of debt management:
    • General debtors
    • Rates debtors

    As at 30th June 2017 WRC had the following provision for doubtful debts

    | Description              | Provision   |
    |--------------------------|-------------|
    | General Debtors Provision| $609,714    |
    | Rates Debtors Provision  | $661,943    |
    | **Total Doubtful Debt Provision** | **$1,271,657** |

    Staff have reviewed the provision for general debtors again based on outstanding debtor balances at 31st
    March 2018. The collectability of outstanding account balances was assessed based on the collection
    actions taken to date, and the likelihood of further collection actions being successful. Based on this
    review, no change to the provision is signalled as being required at this point in time.

    The doubtful debt provision for rates debtors has been assessed based on account balances at 1st May
    2018. The calculation of the provision takes account of those classes of land where collection of rates
    assessed is unlikely (such as Maori Freehold Land) and accounts from 2011/12 that are either lodged with
    collection agencies or no collection action has been commenced. Outstanding balances prior to this period
    are written off as statute barred debt. Based on this review, an increase in the provision for doubtful debts
    of $129,299 is required for this financial year.

    The revised provisions at 30th June 2018 are currently assessed as:

    | Description              | Provision   |
    |--------------------------|-------------|
    | General Debtors Provision| $609,714    |
    | Rates Debtors Provision  | $791,242    |
    | **Total Doubtful Debt Provision** | **$1,400,956** |

    Moving forward, as part of the council’s Draft Long Term Plan, a new rates remission policy has been
    proposed that will give the council the ability to remit penalties on rating units where collection is deemed
    to be unlikely. This remission policy will mean that the council can avoid the charging of penalties that
    ultimately accumulate but end up as part of the doubtful debt provision and subsequent annual write-off
    of statute-barred debt.

11. Employee entitilements
    A valuation of employee entitilements for long service leave and gratuities has been commissioned
    through Aon Hewitt. It is expected that end of May data will be used in order to have valuations ready
    for the 30 June 2018.

12. Investments in council-controlled organisations
    12.1. Waikato Local Authority Shared Services Ltd
    In 2014, the council made the decision to impair the value of its investment in the Shared Valuation
    Database Service, one of the two services under Waikato Local Authority Shared Services Ltd (WLASS) that
    the council holds shares in. This decision was in line with the change that WLASS made to their accounting
    policies that was to see the net book value of the SVDS fully depreciated over the next two years, based
    on an assessment of the remaining useful life of the underlying asset.
In 2015/16 the council’s investment in SVDS was impaired to reflect the council’s shareholding percentage in the asset value disclosed in the WLASS annual report. An adjustment will be required in 2017/18 to further impair the council’s investment in SVDS to reflect the remaining value of the shareholding. Based on a forecast of the remaining value of SVDS at 30 June 2018, this impairment loss will be $43,418 to give a residual investment value of $43,477 (being 50 per cent of the asset value of SVDS).

Council also holds shares in the Waikato Regional Transportation Model (WRTM). These shares had an original cost of $506,250. The remaining economic life of WRTM was assessed as being to 30 June 2019. At that point in time, the model will require a substantial review with new census data and a review of the software platform. The same approach to the recognition of the remaining value in the council’s investment in WRTM was applied in 2015/16 as for the council’s investment in SVDS. Based on a forecast of the remaining value of WRTM at 30 June 2018, this impairment loss will be $27,344 to give a residual investment value of $27,343 (being 37.5 per cent of the asset value of WRTM).

<table>
<thead>
<tr>
<th>Details</th>
<th>SVDS</th>
<th>WRTM</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value as at 30 June 2017</td>
<td>86,895</td>
<td>54,687</td>
<td>141,582</td>
</tr>
<tr>
<td>Less proposed impairment loss</td>
<td>(43,418)</td>
<td>(27,344)</td>
<td>(70,762)</td>
</tr>
<tr>
<td>Estimated value at 30 June 2018</td>
<td>43,477</td>
<td>27,343</td>
<td>70,820</td>
</tr>
</tbody>
</table>

12.2. Regional Software Holdings Ltd

The investment in Regional Software Holdings Limited (RSHL) constitutes WRC’s share of the software and has a current net book value of $1,686,346. The software system is called IRIS and has now been successfully implemented in all shareholding Councils. The RSHL budget allows for ongoing capital improvements to the software product which in the Board’s view previously has maintained the book value of the software.

As part of RSHL’s year-end process, an assessment of the value of the asset will be undertaken. Based on the outcome of this review, the council may need to amend the value disclosed at the end of the year.