Audit and Risk Committee
Open Agenda

Date: Thursday, 7 March, 2019
Time: 9:00 am
Location: Council Chamber
Waikato Regional Council
401 Grey Street
Hamilton East
Members: H Stevens (Chair)
G Naylor
Cr J Hennebry (Deputy Chair)
Cr H Vercoe
Cr Simcock
Cr Livingston
Cr Mahuta

Notice of Meeting:
I hereby give notice that an ordinary Meeting of the Audit and Risk Committee will be held as detailed above.

VRJ Payne
Chief Executive Officer
1. **Terms of Reference**

2. **Apologies**

3. **Confirmation of Agenda**

4. **Disclosures of Interest**

   *Any disclosures of interest relating to the business at this meeting*

5. **Matters arising from open session of the previous meeting minutes**

   Report to receive the minutes of the open session of the previous meeting and review the actions and matters arising therefrom.

6. **External Audit**

   Report to provide the Committee with an update on outstanding matters from previous audits and to present the Draft Audit Plan for the 2018/19 audit process.

7. **Risk Management Update**

   Report to update the Committee on Council’s risk management activities and key project risks.

8. **Policy Update**

   Report to provide an update on Council policies that are due for review/renewal this quarter.

9. **Health and Safety Update**

   Report to update the Committee on management of annual leave balances, staff wellbeing and key health and safety indicators.

10. **Internal Audit Update**

    Report to provide the Committee a status update on the internal audit programme.

11. **Asset Management Update**

    Report to provide the Committee with an update of the work areas currently underway to manage the risk associated with the flood protection assets managed by Council.

12. **Insurance Update**

    Report to provide the Committee with an update on activities within the Council’s insurance programme, including a summary of the outcome from the 2018 insurance renewal as well as the findings from a review of the Council’s disaster recovery provisions.
13. Resolutions to Exclude the Public

14. Public Excluded Session

14.1 Key Projects Update

14.2 Potential Liability Claims

14.3 Public Excluded Minutes of the Previous Meeting of the Audit and Risk Committee
Audit and Risk Committee – Terms of Reference

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).
Report to Audit and Risk Committee

Date: 8 February 2019

Author: Janine Becker, Chief Financial Officer

Authoriser: Neville Williams, Director Community & Services

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 #13723727 dated 8 February 2019) be received.

Matters from previous meeting minutes
<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Agenda context</th>
<th>Committee request</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 Nov 2018</td>
<td><strong>Waikato Regional Council Flood Protection Asset Risk Management</strong>&lt;br&gt;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 was initially expected to occur in April 2018, however other council priorities have continued to delay the initiative.</td>
<td>The Committee requested that the communications be prioritised.</td>
<td>Included in this agenda – <em>WRC Flood Protection Asset Risk Management</em></td>
</tr>
<tr>
<td>14 May 2018</td>
<td><strong>Freshwater management</strong></td>
<td>The Office of the Auditor General report on Freshwater had not been received, only the presentation on the topic. The Chair noted that David Walker of Audit NZ had advised that the Office of the Auditor General had offered to present to the Committee on both the Freshwater review and the Hauraki Gulf Marine Spatial Plan review if there was interest. The committee indicated it would welcome presentations from the Office of the Auditor General.</td>
<td>Presentation to be scheduled when draft report is released. No timeframe currently known for this.</td>
</tr>
<tr>
<td>9 Nov 2018</td>
<td><strong>Risk Management Activity and Key Projects Update</strong>&lt;br&gt;Actions identified to progress the findings from the LGNZ Excellence Programme Improvement Plan Implementation are in development but reporting has been delayed due to resource constraints.</td>
<td>Key areas for improvement and recommendations arising from the LGNZ Excellence program required follow up action.</td>
<td>Included in this agenda – <em>Risk Management Activity and Key Projects Update report</em></td>
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<tr>
<td>4 9 Nov 2018</td>
<td><strong>Risk Management Activity and Key Projects Update</strong>&lt;br&gt;Benchmarking public transport feedback and complaint levels</td>
<td>Transport to compare complaint levels with Otago and BOP Regional Councils and report back.</td>
<td>The passenger transport team is working with its counterparts and Otago and BoP Regional Councils to develop benchmarking data</td>
</tr>
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<td>5 9 Nov 2018</td>
<td><strong>Risk Management Activity and Key Projects Update</strong>&lt;br&gt;Net promoter scores were seen to be particularly useful when used to compare trends with other organisations.</td>
<td>Identify organisations that could be used as comparisons for net promoter scores.</td>
<td>The customer services team will investigate which councils are using NPS and establish benchmarking methodology for future reporting. Staff recommend that feedback and complaints be reported to the council’s Environmental Services and Performance Committee in future. Included in this agenda – <strong>Risk Management Activity and Key Projects Update report</strong>.</td>
</tr>
<tr>
<td>6 9 Nov 2018</td>
<td><strong>Internal Audit Programme Update</strong>&lt;br&gt;New capital works project life-cycle review (including Tauhei Flood Control Project)</td>
<td>Provide a plan for the implementation of the auditor’s recommendations for project enhancement.</td>
<td>Included in this agenda – <strong>WRC Flood Protection Asset Risk Management</strong></td>
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**Attachments**
Minutes of the Audit and Risk Committee meeting held on 9 Nov 2018 (Doc #13402447)
Audit and Risk Committee

OPEN MINUTES

Date: Friday, 9 November, 2018, 9 am
Location: Council Chamber
Waikato Regional Council
401 Grey Street
Hamilton East

Members Present: H Stevens - Chairman
G Naylor - Independent member
Cr J Hennebry
Cr H Vercoe
Cr B Simcock
Cr A Livingston - Ex officio

Staff Present: V Payne - Chief Executive Officer
C McLay - Director Resource Use
M Garrett - Chief Financial Officer
K Bennett - Manager CE's Office
J Becker – Manager Finance
S McLeay – Democracy Advisor
1. **Apologies**

   There were no apologies.

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

2. **Confirmation of Agenda**

   AR18-59
   Moved by: Cr Hennebry
   Seconded by: Cr Livingston

   **RESOLVED**

   THAT the agenda of the Audit and Risk Committee of 9 November 2018, as circulated and subject to changes in item order as set out in these meeting minutes, be confirmed as the business for the meeting.

   The motion was put and carried

3. **Disclosures of Interest**

   There were no disclosures of interest noted.

4. **Matters arising from previous meetings minutes**

   Presented by the Chief Financial Officer (M Garrett) to receive the minutes of the open section of the meeting of the Audit and Risk Committee held on 10 August 2018 and to review the actions and matters arising from previous Audit and Risk Committee meetings.

   During discussion, concern was raised that there had been a delay in the implementation of the flood protection communication initiative. Reassurance was provided that the initiative would commence as soon as possible. This was likely to be late spring or early summer 2018.

   AR18-60
   Moved by: Cr Livingston
   Seconded by: G Naylor

   **RESOLVED**

   THAT the report ‘Matters arising from previous meetings minutes’ (Doc #12751007 dated 10 July 2018) and the minutes of the open section of the previous meeting, be received.

   The motion was put and carried
5. **Risk Management Activity and Key Projects Update**

Presented by the Manager Office of the CE (K Bennett) to provide an update on Council’s risk management activities and key project risks.

During discussion, the following was noted:

- The off-track status of CORP 8.1 on page 27 of the agenda would not have an impact on Project Reboot.
- The health and safety section of the report included comment on Council’s management of staff stress as previously requested.
- There was a single personal safety device available for Councillor use.
- The Pulse survey showed positive trends including reports of more manageable workloads.
- Key areas for improvement and recommendations arising from the LGNZ Excellence program required follow up action.
- Fundraising was still underway for the Fish Passage Project. The purpose of the Project was to show that tangible progress had been made towards resolving the issue including retrofitting pumps where necessary. Fish passage challenges were not unique to Council. Funding had come from organisations including Tainui and Waikato River Authority. Solutions included the creation of alternative passing routes for eels and fish.
- The level of transport complaints reflected a tail in resolution created by difficulties GoBus had encountered achieving complaint closure. Some of current complaints were caused by industrial action.
- Net promoter scores were particularly useful when used to compare trends with other organisations.
- It was positive to see the promotion of good farming practices. Good farming practice was an industry agreed minimum. Included 21 principles. The practices were consistent with the nitrogen reference point.

**AR18-62**

**Moved by:** G Naylor  
**Seconded by:** Cr Vercoe

**RESOLVED**

THAT the report 'Risk Management Activity and Key Projects Update' (Doc #13142912 dated 29 October 2018) be received.

The motion was put and carried

Cr Livingston left the meeting at 9:26 am.
Cr Livingston joined the meeting at 9:30 am.
Cr Simcock joined the meeting at 9:48 am.
6. **Audit Management Report for the year ended 30 June 2018**

   Presented by the Manager Corporate Planning (N Hubbard) to outline the results from the audit of Council’s 2017/18 Annual Report covered in the Audit Management Report. J Williams from Audit New Zealand attended.

   AR18-61
   Moved by: Cr Vercoe
   Seconded by: G Naylor

   **RESOLVED**

   THAT the report 'Audit Management Report for the year ended 30 June 2018' (Doc #13240812 dated 24 October 2018) be received.

   The motion was put and carried

7. **Annual tax update and PAYE audit outcome**

   The Manager Finance (J Becker) to presented the Annual Tax Update report prepared by PwC for the year to 30 June 2018, together with the findings from the PAYE compliance review undertaken.

   During discussion, the Finance Team was commended for a positive report from Price Waterhouse Coopers.

   AR18-63
   Moved by: Cr Vercoe
   Seconded by: G Naylor

   **RESOLVED**

   THAT the report 'Annual tax update and audit outcome' (Doc # 13276354 dated 29 October 2018) and the ‘PAYE compliance assessment’ (Doc # 13286299) be received.

   The motion was put and carried

8. **Policy Review Schedule Update**

   Presented by Senior Legal Advisor (S Jones) to provide an update on Council policies due for review/renewal this quarter.

   AR18-64
   Moved by: H Stevens
   Seconded by: Cr Livingston
RESOLVED

THAT the report 'Policy Review Schedule Update' (Doc #13144036 dated 29 October 2018) be received.

The motion was put and carried

Following this item at 10.28 the meeting adjourned for morning tea and resumed at 10.41am.

9. Internal Audit Programme Update

Presented by the Manager Office of the CE (K Bennett) to provide a status update on the internal audit program. Representatives from KPMG were in attendance.

AR18-65
Moved by: G Naylor
Seconded by: Cr Hennebry

RESOLVED

THAT the report 'Internal Audit Programme Update' (Doc # 13141432 dated 29 October 2018) be received.

The motion was put and carried

10. Waikato Regional Council flood protection asset risk management

Presented by the Acting Director Integrated Catchment Management (G Ryan) to provide an overview of the work areas currently underway to manage the risk associated with the flood protection assets managed by Council, and in particular the progress that has been made since the last report (May 2018).

During discussion, the following was noted:

- The new roles of Reliability Engineer and Maintenance Planner would provide much needed assistance to the operational teams.
- Context must be considered when decisions were made about dam improvements.
- Council was responsible for dam maintenance across the North Island.
- Dams were categorized on the basis of risk associated with the impact of failure.

AR18-66
Moved by: Cr Simcock
Seconded by: Cr Hennebry
RESOLVED

THAT the report 'Waikato Regional Council flood protection asset risk management' (Doc # 13249600 dated 24 October 2018) be received.

The motion was put and carried

11. Resolutions to exclude the public

AR18-67
Moved by: Cr Hennebry
Seconded by: G Naylor

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>Internal Audit Programme Update</td>
<td>Good reason to withhold exists under section 6 or 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>Corporate Systems Replacement Project Update</td>
<td>Good reason to withhold exists under section 6 or 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>Hamilton Accommodation Tristram Precinct Project Update</td>
<td>Good reason to withhold exists under section 6 or 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>
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<tr>
<td>--------------------------------------------------------</td>
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<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Insurance programme update</td>
<td>Good reason to withhold exists under section 6 or 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>Potential Liability Claims</td>
<td>Good reason to withhold exists under section 6 or 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>Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Good reason to withhold exists under section 6 or 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>
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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 sections 6 and 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 description</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamilton Accommodation Tristram Precinct Project Update · Insurance programme update · Potential Liability Claims · Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</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 (section 7(2)(b)).</td>
</tr>
<tr>
<td>Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</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 (section 7(2)(c)).</td>
</tr>
<tr>
<td>Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Avoid prejudice to measures that prevent or mitigate material loss to members of the public (section 7(2)(e)).</td>
</tr>
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<td>Potential Liability Claims · Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Maintain legal professional privilege (section 7(2)(g)).</td>
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</table>
· Internal Audit Programme Update
· Corporate Systems Replacement Project Update
· Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (section 7(2)(h)).

· Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018

Prevent the disclosure or use of official information for improper gain or improper advantage (section 7(2)(j)).

· Potential Liability Claims · Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (section 7(2)(i)).

The motion was put and carried

The meeting moved into public excluded session at 11.10am.

The meeting returned to open session at 12.45am

The Chair noted that this was the last meeting that the Chief Financial Officer (M Garrett) would attend in that role and thanked him on behalf of the Committee for his valuable contribution to date. The Manager Finance (J Becker) was congratulated on her new role as Chief Financial Officer and welcomed. Cr Livingston thanked the Chair for his contribution to the Committee.

The meeting was closed at 12.56pm.
Audit and Risk Committee

OPEN MINUTES

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401 Grey Street
Hamilton East

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G Naylor - Independent member
Cr J Hennebry
Cr H Vercoe
Cr B Simcock
Cr A Livingston - Ex officio

Staff Present: V Payne - Chief Executive Officer
C McLay - Director Resource Use
M Garrett - Chief Financial Officer
K Bennett - Manager CE's Office
J Becker – Manager Finance
S McLeay – Democracy Advisor
1. **Apologies**

   There were no apologies.

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

2. **Confirmation of Agenda**

   AR18-59
   Moved by: Cr Hennebry
   Seconded by: Cr Livingston

   **RESOLVED**

   THAT the agenda of the Audit and Risk Committee of 9 November 2018, as circulated and subject to changes in item order as set out in these meeting minutes, be confirmed as the business for the meeting.

   The motion was put and carried

3. **Disclosures of Interest**

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4. **Matters arising from previous meetings minutes**

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   During discussion, concern was raised that there had been a delay in the implementation of the flood protection communication initiative. Reassurance was provided that the initiative would commence as soon as possible. This was likely to be late spring or early summer 2018.

   AR18-60
   Moved by: Cr Livingston
   Seconded by: G Naylor

   **RESOLVED**

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   The motion was put and carried
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During discussion, the following was noted:

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- Fundraising was still underway for the Fish Passage Project. The purpose of the Project was to show that tangible progress had been made towards resolving the issue including retrofitting pumps where necessary. Fish passage challenges were not unique to Council. Funding had come from organisations including Tainui and Waikato River Authority. Solutions included the creation of alternative passing routes for eels and fish.
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- Net promoter scores were particularly useful when used to compare trends with other organisations.
- It was positive to see the promotion of good farming practices. Good farming practice was an industry agreed minimum. Included 21 principles. The practices were consistent with the nitrogen reference point.

**AR18-62**

Moved by: G Naylor  
Seconded by: Cr Vercoe

**RESOLVED**

THAT the report ‘Risk Management Activity and Key Projects Update’ (Doc #13142912 dated 29 October 2018) be received.

The motion was put and carried

Cr Livingston left the meeting at 9:26 am.

Cr Livingston joined the meeting at 9:30 am.

Cr Simcock joined the meeting at 9:48 am.
6. **Audit Management Report for the year ended 30 June 2018**

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   Moved by: Cr Vercoe
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   **RESOLVED**

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7. **Annual tax update and PAYE audit outcome**

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   During discussion, the Finance Team was commended for a positive report from Price Waterhouse Coopers.

   AR18-63
   Moved by: Cr Vercoe
   Seconded by: G Naylor

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   The motion was put and carried

8. **Policy Review Schedule Update**

   Presented by Senior Legal Advisor (S Jones) to provide an update on Council policies due for review/renewal this quarter.

   AR18-64
   Moved by: H Stevens
   Seconded by: Cr Livingston
RESOLVED

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The motion was put and carried

Following this item at 10.28 the meeting adjourned for morning tea and resumed at 10.41am.

9. Internal Audit Programme Update

Presented by the Manager Office of the CE (K Bennett) to provide a status update on the internal audit program. Representatives from KPMG were in attendance.

AR18-65
Moved by: G Naylor
Seconded by: Cr Hennebry

RESOLVED

THAT the report ‘Internal Audit Programme Update’ (Doc # 13141432 dated 29 October 2018) be received.

The motion was put and carried

10. Waikato Regional Council flood protection asset risk management

Presented by the Acting Director Integrated Catchment Management (G Ryan) to provide an overview of the work areas currently underway to manage the risk associated with the flood protection assets managed by Council, and in particular the progress that has been made since the last report (May 2018).

During discussion, the following was noted:

- The new roles of Reliability Engineer and Maintenance Planner would provide much needed assistance to the operational teams.
- Context must be considered when decisions were made about dam improvements.
- Council was responsible for dam maintenance across the North Island.
- Dams were categorized on the basis of risk associated with the impact of failure.

AR18-66
Moved by: Cr Simcock
Seconded by: Cr Hennebry
RESOLVED

THAT the report 'Waikato Regional Council flood protection asset risk management' (Doc # 13249600 dated 24 October 2018) be received.

The motion was put and carried

11. Resolutions to exclude the public

AR18-67
Moved by: Cr Hennebry
Seconded by: G Naylor

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:

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<td>--------------------------------------------------------</td>
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</tr>
<tr>
<td>Insurance programme update</td>
<td>Good reason to withhold exists under section 6 or 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>Potential Liability Claims</td>
<td>Good reason to withhold exists under section 6 or 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>Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Good reason to withhold exists under section 6 or 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 sections 6 and 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 description</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>· Hamilton Accommodation Tristram Precinct Project Update · Insurance programme update · Potential Liability Claims · Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</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 (section 7(2)(b)).</td>
</tr>
<tr>
<td>· Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</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 (section 7(2)(c)).</td>
</tr>
<tr>
<td>· Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Avoid prejudice to measures that prevent or mitigate material loss to members of the public (section 7(2)(e)).</td>
</tr>
<tr>
<td>· Potential Liability Claims · Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Maintain legal professional privilege (section 7(2)(g)).</td>
</tr>
<tr>
<td>· Internal Audit Programme Update</td>
<td>Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (section 7(2)(h)).</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>· Corporate Systems Replacement Project Update · Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Prevent the disclosure or use of official information for improper gain or improper advantage (section 7(2)(j)).</td>
</tr>
<tr>
<td>· Public excluded minutes of the meeting of the Audit and Risk Committee held on 10 August 2018</td>
<td>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (section 7(2)(i)).</td>
</tr>
</tbody>
</table>

The motion was put and carried

The meeting moved into public excluded session at 11.10am.

The meeting returned to open session at 12.45am

The Chair noted that this was the last meeting that the Chief Financial Officer (M Garrett) would attend in that role and thanked him on behalf of the Committee for his valuable contribution to date. The Manager Finance (J Becker) was congratulated on her new role as Chief Financial Officer and welcomed. Cr Livingston thanked the Chair for his contribution to the Committee.

The meeting was closed at 12.56pm.
Report to Audit and Risk Committee March 2019

Date: 25 February 2019

Author: Janine Becker, Chief Financial Officer

Authoriser: Janine Becker, 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 and to present the Draft Audit Plan for the 2018/19 audit process.

Staff Recommendations:

1. That the report “External audit update” (Doc #13859740) dated 25 February 2019 be received for information.

Background

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

3. The proposed Audit Plan from Audit New Zealand is also presented for the information of the committee.

Attachments

Outstanding matters from previous audits (Doc #13854234)
Audit New Zealand Audit Plan for the year ending 30 June 2019 (Doc #13859852)
**AUDIT - OUTSTANDING MATTERS TO DATE**

Audit NZ Management Report on the audit for the year ended 30 June 2018 - Status of previous recommendations

<table>
<thead>
<tr>
<th>Status</th>
<th>Needs to be addressed urgently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urgent</td>
<td>These recommendations relate to a serious 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.</td>
</tr>
<tr>
<td>Necessary</td>
<td>Address at the earliest reasonable opportunity, generally within 6 months</td>
</tr>
<tr>
<td>Improvements are necessary</td>
<td>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.</td>
</tr>
<tr>
<td>Beneficial</td>
<td>Address, generally within 6 to 12 months</td>
</tr>
<tr>
<td>Some improvement required</td>
<td>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.</td>
</tr>
</tbody>
</table>

**New matters raised in 2017/18 annual report audit**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capitalisation of assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Regional Council reviews the processes of capitalising assets and capitalises assets once the project has been completed. This will ensure depreciation and the residual life of the assets is correctly recorded in the general ledger and asset management systems.</td>
<td>We identified three instances where infrastructure assets had not been capitalised once the project had been completed. We understand the delays in capitalising these projects was due to staff vacancies and the significant backlog of assets to be capitalised.</td>
<td>Beneficial</td>
<td>Staff vacancies have now been filled and training is underway. A plan to address outstanding assets to be capitalised has been developed and will be implemented.</td>
</tr>
<tr>
<td><strong>Elected members’ interests</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Authorities (Members’ Interests) Act 1968: A review is performed of the public Companies and Charities registers and update the members’ interest register as required.</td>
<td></td>
<td>Beneficial</td>
<td>A process to review the Companies and Charities register and review interest registers has been developed.</td>
</tr>
</tbody>
</table>
### 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>
<tbody>
<tr>
<td><strong>Service performance and associated systems and controls</strong></td>
<td>We recommend adequate documentation is stored as evidence of when extensions on consent applications have been put in place and subsequently removed.</td>
<td>Necessary</td>
<td>Staff are frequently reminded of the process to ensure that cross-referencing between IRIS and our document management system (Discover) is done correctly to ensure extension documentation is linked to the application in IRIS. Staff are also reminded to ensure that file notes in relation to verbal agreement are documented in a timely manner. Management is not of the view that this is a systemic issue and therefore do not believe any further testing or checking is required.</td>
</tr>
<tr>
<td>We identified some instances where there was no supporting documentation to support extension. An instance was also identified where there was no physical evidence to support verbal approval for an extension.</td>
<td>We identified some instances where there was no supporting documentation to support extension. An instance was also identified where there was no physical evidence to support verbal approval for an extension.</td>
<td>Necessary</td>
<td>Staff are frequently reminded of the process to ensure that cross-referencing between IRIS and our document management system (Discover) is done correctly to ensure extension documentation is linked to the application in IRIS. Staff are also reminded to ensure that file notes in relation to verbal agreement are documented in a timely manner. Management is not of the view that this is a systemic issue and therefore do not believe any further testing or checking is required.</td>
</tr>
<tr>
<td><strong>Formal approval of completed infrastructure assets</strong></td>
<td>Our testing identified an instance where no approval was given to capitalise an asset.</td>
<td>Necessary</td>
<td>Process review completed for large works with proposed changes to interaction of finance, PMO and assets, and ultimately approvals / requirements refined. Implementation to be rolled out.</td>
</tr>
<tr>
<td>We recommend that all assets transferred from WIP to infrastructure assets, including capital expenditure for top-up of existing stopbanks have appropriate authorisation. This should confirm that all costs are appropriate capital expenditure and that the asset is complete.</td>
<td>Our testing identified an instance where no approval was given to capitalise an asset.</td>
<td>Necessary</td>
<td>Process review completed for large works with proposed changes to interaction of finance, PMO and assets, and ultimately approvals / requirements refined. Implementation to be rolled out.</td>
</tr>
<tr>
<td><strong>Requesting, creating and approving purchase orders</strong></td>
<td>No progress has been made on this issue</td>
<td>Beneficial</td>
<td>Council has a fairly standard and robust requisition and purchase order process. However, due to limitations within the current financial system, some parts of this process are manual — that is, approval of excesses over purchase orders are signed on the face of the invoice. Project Reboot will allow for a more up to date requisition and purchase order system, that can be more efficiently run and all approvals captured electronically.</td>
</tr>
<tr>
<td>We recommend that the Regional Council review the processes around requesting, creating and approving purchase orders.</td>
<td>No progress has been made on this issue</td>
<td>Beneficial</td>
<td>Council has a fairly standard and robust requisition and purchase order process. However, due to limitations within the current financial system, some parts of this process are manual — that is, approval of excesses over purchase orders are signed on the face of the invoice. Project Reboot will allow for a more up to date requisition and purchase order system, that can be more efficiently run and all approvals captured electronically.</td>
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</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td><strong>Annual leave balances</strong></td>
<td>We identified 110 (2017: 114) employees whose leave balances exceeded five weeks.</td>
<td>Beneficial</td>
<td>Management are already actively monitoring employee leave balances, with HR Business Partners regularly engaging with Senior Leadership Teams and individual Managers to ensure visibility of these individuals and proactive steps are taken to develop and agree leave management plans. Reporting to the Audit and Risk Committee is also undertaken quarterly.</td>
</tr>
<tr>
<td><strong>Outstanding leave variances</strong></td>
<td>Our review identified a number of variances that dated back to December 2017.</td>
<td>Necessary</td>
<td>This review was performed at the interim Audit stage. The items on the variance report at that point had no actual impact on the accounts or timesheets, but where, for example, an employee has picked the wrong category of leave for their timesheet, but had correctly applied for the right category of leave within the payroll system – not actual differences of leave. By 30 June 2018, even these types of differences had been corrected and all variances were cleared. Normal practice now is to investigate and clear differences after each payroll run.</td>
</tr>
<tr>
<td><strong>Review of reconciliations</strong></td>
<td>There continues to be a number of reconciliations not prepared or reviewed in a timely manner.</td>
<td>Necessary</td>
<td>The importance of the timely completion of workpapers is consistently reinforced with staff. Particular focus is given to the key control accounts of the main bank, debtors and creditors control accounts which met timeliness and review criteria. Some auxiliary deposit bank accounts which hold some allocated deposits were in January completed outside of the time limits due to annual leave commitments, but the main bank account was reconciled on a timely basis.</td>
</tr>
</tbody>
</table>
# Formalise IS Change Management

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Formal consistent IS change management policies and procedures need to be adopted and all changes need to go through the change process.</td>
<td>Improvements are being made to the change management system, and more infrastructure changes are now being logged. Documentation of the procedures for change management are yet to be completed.</td>
<td>Necessary</td>
<td>Staff will document procedures as recommended.</td>
</tr>
</tbody>
</table>

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# Recommendations where Audit and Council disagree

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting treatment of Regional Software Holdings Ltd (RSHL)</td>
<td>The accounting treatment and disclosure of RSHL remains the same as prior years (as an Investment). Council has not completed a formal review against PBE IPSAS 7.</td>
<td>Necessary</td>
<td>Council’s position with respect to this matter has not changed.</td>
</tr>
</tbody>
</table>
Audit plan

I am pleased to present our audit plan for the audit of Waikato Regional Council for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

Audit risks and issues ........................................................................................................................................... 2
Our audit process ................................................................................................................................................... 6
Reporting protocols ............................................................................................................................................... 10
Audit logistics ....................................................................................................................................................... 11
Expectations .......................................................................................................................................................... 13

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

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

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

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

Yours sincerely

David Walker
Appointed Auditor
22 February 2019
## Audit risks and issues

### Focus areas

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

<table>
<thead>
<tr>
<th>Audit risk/issue</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The risk of management override of internal controls</strong></td>
<td></td>
</tr>
</tbody>
</table>
| There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit. | Our audit response to this risk includes:  
- testing the appropriateness of selected journal entries;  
- reviewing accounting estimates for indications of bias; and  
- evaluating any unusual or one-off transactions, including those with related parties. |
| **Fair value of property, plant and equipment** | |
| The Regional Council periodically revalues its infrastructure assets and land and buildings. 

PBE IPSAS 17 Property, plant and equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materiality from fair value. The Regional Council needs to formally review whether a revaluation or asset impairment is required this year. It is important that this assessment is performed at an early stage, to avoid the risk of this becoming a significant issue at a late stage of the audit. | We will review the Regional Council’s assessment of whether there is any significant difference between the carrying amount and fair value of its assets. |
### Audit risk/issue | Our audit response
--- | ---
**Investment fund**<br>The Regional Council have a large amount of money held in its Investment fund. It is vital that the value of the investment fund, along with any gains or losses from fair value movements are fairly stated in the financial statements.<br>As the fair value of these investments can fluctuate quickly, we need to ensure that the valuation performed and subsequent presentation of both realised and unrealised movements in the fair value are in accordance with financial reporting standards.<br>Management will review and formally assess the fair value valuations received from fund managers for purposes of the Annual Report.<br><br>**Relocation of the main Waikato Regional Council office**<br>The Regional Council has previously consulted on and made the decision to relocate their operations from their currently owned Grey Street location to a leased central city location.<br>Associated with the transfer, the Regional Council intends to sell both Hamilton East properties to fund the fit out of the new central city location.<br>The timing of the sale can change the classification of these assets between “Property, Plant and Equipment” and “Non-Current Assets held for Sale”, and result in differences in the measurement value.<br>Contracts entered into for the construction of the fit out may need to be reflected in capital commitments or work in progress as construction occurs.<br>The lease arrangement will also need to be reflected within operating lease commitments.<br><br>We will review management’s fair value assessment of the investment fund.<br>We will check to ensure the values of the investment fund are correctly stated in the financial statements by obtaining external confirmations from the Fund Managers. We will also obtain confirmations that the Fund Managers’ internal controls were operating effectively during the year.<br>We will confirm any gains or losses arising from movements in the fair values of the fund are appropriately disclosed in the financial statements.<br><br>We will continue to discuss these matters with management and consider the impact of these on the preparation and presentation in the Annual Report.<br>We will review management’s assessment of the related events(s) and the application of the “Non-Current Assets held for Sale” criteria supporting, if any, reclassification of any assets from “Property, Plant and Equipment”.

### Other areas of interest

### Audit risk/issue | Our audit response
--- | ---
<table>
<thead>
<tr>
<th>Audit risk/issue</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Other major projects</strong></td>
<td></td>
</tr>
<tr>
<td>We understand that the Regional Council has a few other Major projects that it is navigating at this time. These include:</td>
<td>The status of these projects at year end will be impacted by external factors. We will continue to discuss these matters with management and consider the impact of these on the preparation and presentation in the Annual Report.</td>
</tr>
<tr>
<td>• Commencement of a Passenger Rail Service between Hamilton and Auckland.</td>
<td></td>
</tr>
<tr>
<td>• Implementation of a new regional transport ticketing solution.</td>
<td></td>
</tr>
<tr>
<td>• Replacement of the Financial Management Information System.</td>
<td></td>
</tr>
<tr>
<td><strong>Chair and Chief Executive expenditure transaction</strong></td>
<td></td>
</tr>
<tr>
<td>Spending in the public sector continues to draw a high level of public scrutiny.</td>
<td>During the course of our audit we will specifically test a sample of the Chair and Chief Executives expenditure transactions. We will assess whether or not these are in compliance with the Regional Council’s policies, review the policies to ensure they are consistent with good practice guidance and consider if the expenditure is appropriate in a public sector context.</td>
</tr>
</tbody>
</table>

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

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

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

- What role does Council play in relation to fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management’s investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

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

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

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

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Waikato Regional Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we will be auditing the balances, disclosures, and other information included in the Regional Council’s financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.
Enhancing year-end processes

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

Bringing forward audit procedures

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

This testing will be completed during a pre-final audit. If we can complete this work earlier in the year, we expect this to reduce the final audit onsite work. This requires us to have the right information available during this visit to enable us to complete this work.

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

Materiality

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

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

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

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, Making Materiality Judgements, provides guidance on how to make materiality judgements from a financial statements preparer’s perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.
Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

A public sector audit also examines whether:

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

Communication with management and the Council

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

We will hold regular meetings with Janine Becker throughout the on-site audits and at any time where we believe a meeting would be beneficial. When possible the Audit Director and Audit Manager will attend the Audit and Risk Committee meetings.

Reports to Council

We will provide a draft of all reports to Council and management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to Council.

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

Our team

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

Our senior audit team members are:

David Walker          Appointed Auditor
Leon Pieterse         Engagement Quality Control Review Director
Naude Kotze           Audit Manager
Kataraina Macown      Assistant Manager

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

Our proposed timetable is:

- **First interim audit begins**: 15 April 2019
- **Second interim audit begins**: 27 May 2019
- **Draft interim report to Council issued**: 11 June 2019
- **Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures**: 16 August 2019
- **Final audit begins**: 19 August 2019
- **Annual report available, including any Chair and Chief Executive’s overview or reports**: 5 September 2019
- **Verbal audit clearance given**: 10 September 2019
- **Audit opinion issued**: 26 September 2019
- **Draft final report to Council issued**: 4 October 2019
Expectations

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

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

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:

![All about audits](image1)

![What to expect from your audit](image2)
Health and safety

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

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

Date: 26 February 2019
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) risk management activities and key project risks.

Executive Summary
2. The report provides an update on the following:

Risk Management Update
- Corporate risks and associated mitigation actions;
- Legislative Compliance; and
- Business Continuity.

Key Projects Update
- Healthy Rivers/ Wai Ora; and
- Healthy Rivers/Wai Ora (Implementation).

Other Matters
- 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;
- Update on the review of National Environmental Standard for Sources of Human Drinking Water; and
- Managing Per- and Poly-fluoroalkyl substances (PFAS) risk.

Staff Recommendation:
That the report Risk Management Activity and Key Projects Update (Doc #13853489 dated 26 February 2019) be received.
Risk Management Activity Update

Risk Management Framework
3. Council’s Risk Management Framework has been updated in accordance with ISO 31000:2018 Risk Management Guidelines, and will be reviewed by the Risk Forum and ELT, then provided to the Audit and Risk Committee for consideration at the May meeting.

Review of Corporate Risks
4. The Risk Forum and ELT have reviewed the corporate risks and are recommending changes. These will be discussed by the members of the Audit and Risk Committee and councillors at the Council risks review workshop on 7 March 2019.

Mitigation Actions for current Corporate Risks
5. The identified top 10 corporate risks and mitigation actions are monitored by staff and reported quarterly to the Audit and Risk Committee. The corporate risks are outlined in the table below followed by the mitigation actions and updates on each of these.

Directorate Risks
6. Directorate risk registers are continuing to be developed, reviewed and updated.

Training
<table>
<thead>
<tr>
<th>RISK NO</th>
<th>RISK</th>
<th>CURRENT RISK SCORE</th>
<th>RESIDUAL RISK SCORE</th>
<th>TRENDS</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 enquiries, 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 accepts a medium 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, however much remains outside WRC control.</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 decreases as leadership and organisational culture initiatives are implemented.</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 and safety risks and meeting all its obligations under health and safety legislation.</td>
<td>High</td>
<td>Medium</td>
<td>↓Risk expected to decrease following the implementation of health and safety initiatives.</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. Mitigation Actions for Corporate Risks

<p>| CORP01: WRC is unable to provide the necessary emergency response internally and externally in the event of natural hazard, pollution or biosecurity events |
|---|---|---|---|---|</p>
<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>Inter-Regional Border Incursions Surveillance Programme.</td>
<td>Patrick Whaley</td>
<td>Ongoing</td>
<td>Off track</td>
<td>This is off track for some of the lower priority pests and relies on the review of the Regional Pest Management Plan to rationalise the current programme.</td>
</tr>
<tr>
<td>CORP 1.2</td>
<td>Emergency Response Framework Document</td>
<td>Rick Liefting</td>
<td>30/06/2019</td>
<td>On track</td>
<td>Work has been slower than anticipated, however with a new resource starting in the Regional Hazards team we are still on track.</td>
</tr>
<tr>
<td>CORP 1.3</td>
<td>Create a Funding Policy for Emergency Response</td>
<td>Julian Snowball</td>
<td>30/06/2019</td>
<td>Off track</td>
<td>This has not made the progress anticipated. The action will be included in the current work plan with the intention to deliver a policy by the end of June 2019 (the completion date has been updated accordingly).</td>
</tr>
</tbody>
</table>

<p>| CORP02: Non-compliance with legislation resulting in possible reputational damage, judicial reviews of council decisions, appointment of commissioners, Ombudsman enquiries, or legal action |
|---|---|---|---|---|</p>
<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>The next ComplyWith Survey opens in April 2019 for the period 1 October 2018 to 31 March 2019.</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>

<p>| CORP03: 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 |
|---|---|---|---|---|</p>
<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 Engagement Strategy</td>
<td>Nicola Chrisp</td>
<td>Ongoing for implementation</td>
<td>On track</td>
<td>The Customer Engagement Strategy was presented to ELT in December 2018 and provisionally approved. A couple of small clarifications were requested, including the development of a high level summary document, some further explanation around interdependencies, and to connect this strategy to the strategic direction of the organisation. The Strategy will be presented to ELT in March 2019 and then to council along with the new information services strategic direction, Beyond 2020 Strategy.</td>
</tr>
</tbody>
</table>
The focus shifted towards organisational embedding of International Association of Public Participation (IAP2) which is underway. The Stakeholder Engagement Strategy will be amended to reflect the use of the engagement hub and the Maori Engagement Framework, and presented to ELT by March 2019.

A formal process for monitoring and reporting progress against the LGEP Improvement Plan on a quarterly basis was implemented in December 2018. (Refer to paragraph 9 below for a detailed update).

The Leadership Programme is delivering to identified milestones. Groups 1-4 have now commenced. Group 1 has completed all of the face to face training, Groups 2 and 3 are progressing through the programme while Group 4 was initiated in November 2018. The culture worksteam is also active, with Design Thinking (in particular) and Leading Change incorporated into the planning for Connect 2020 and ReBoot programmes of work.

Preparation is now underway to run the culture and organisational effectiveness surveys in May 2019. Indicators from the November 2018 Pulse survey indicate positive trends, suggesting the programme supporting organisational engagement and culture goals.

Regular Procurement and Contracts training has been completed and is scheduled to continue every three months.

Processes have been put in place for activities requiring a Permit to Work in accordance with the WRC Permit to Work document. The process for Property and Facilities now needs to be Promapped, hence the new timeframe.
### 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>Dec-18</td>
<td>Completed</td>
<td>The 2015 Strategic Information Plan has now been superseded by the refreshed IS Strategic Direction - Beyond 2020.</td>
</tr>
<tr>
<td>CORP 6.2</td>
<td>Corporate Systems Replacement Project (Project Reboot) - Business Case</td>
<td>Janine Becker</td>
<td>Mar-19</td>
<td>On track</td>
<td>The Project Reboot Business case will be presented to Council in March 2019.</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>Project Portfolio Management System implemented and operational.</td>
<td>Tracey Powrie</td>
<td>Ongoing</td>
<td>On track</td>
<td>Extension of the use of pSoda across the organisation continues alongside continued review and extension of the project management framework as per the Project Management Office work 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>Progress in mapping and reviewing business processes continues to be impacted in some areas by the availability of capacity within the Directorates. This action is now noted as back on track as work continues to determine how issues with capacity can be addressed. A focused approach is being trialled within the Community and Services Directorate as part of the Pike Ake Kake Ake (continuous improvement) project. Through the implementation of Project Reboot, processes across the areas of financial management, budgeting and planning, property and rating, asset management and human resource management will be mapped alongside the implementation of the new software solution and ways of working.</td>
</tr>
</tbody>
</table>
Work continues to review and extend the project management framework as per the Project Management Office work plan. This includes governance, financial and risk management refreshers for all significant projects, monthly reporting on projects to ELT, and working with the ICM project office to review and implement actions arising from the recent KPMG audit of ICM projects.

| CORP 8.2 | Enhancement of the project management framework to support decision making i.e. governance, reporting (including financials). | Tracey Powrie | 30/06/2019 | On track |

| 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>
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<th>Status</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORP 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>Ongoing</td>
<td>On track</td>
<td>Complete new systems on data quality assurance are being developed as needed and this will be a continuous process.</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>Mark Tamura</td>
<td>Ongoing</td>
<td>On track</td>
<td>Next report due June 2019.</td>
</tr>
</tbody>
</table>

Local Government Excellence Programme Improvement Plan progress update


10. Council’s assessment result was published in October 2017, receiving an overall CouncilMARK rating of A, with each of the four priority areas receiving the following grades:

<table>
<thead>
<tr>
<th>Governance, leadership and strategy</th>
<th>Financial decision-making and transparency</th>
<th>Service delivery and asset management</th>
<th>Communicating and engaging with the public and business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than competent</td>
<td>Standout</td>
<td>Performing well</td>
<td>Better than competent</td>
</tr>
</tbody>
</table>

11. The specific areas for improvement identified in each of the priority areas were reviewed by staff and a consolidated improvement plan was presented to Council in January 2018. In many cases work was already underway or planned to address the areas identified. A quarterly review process to monitor progress towards completion of the actions identified was put in place in the last quarter of 2018.
12. As at December 2018, of the 24 actions identified in response to the opportunities for improvement proposed by the LGEP Independent Assessment Board; nine are completed, eight are in progress, one is proposed and six were identified as not requiring further action by council. A number of the in progress actions are related to business as usual activities undertaken through the implementation of council’s Communications Strategy, key organisational projects that are underway including Project Reboot, Connect 2020 and the organisational culture programme, and planned activities including the next Councillor induction, Strategic Direction review and Annual Report processes. At each review period any new or additional actions identified will be captured and progress reported.

13. The table below gives a summary of how actions for each of the four assessment areas are tracking as at December 2018.

<table>
<thead>
<tr>
<th>Number of actions by assessment area</th>
<th>Identified</th>
<th>Completed</th>
<th>In Progress</th>
<th>Proposed</th>
<th>No further action required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance, leadership and strategy (Leading locally)</td>
<td>10</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Financial decision-making and transparency (Investing money well)</td>
<td>2</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Service delivery and asset management (Delivering what’s important)</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicating and engaging with the public and business (Listening and responding)</td>
<td>8</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Legislative Compliance**

14. Legislative compliance is incorporated into the council’s staff induction programme. As part of staff induction and ongoing training, council has also subscribed to the SOLGM “How Local Government Works Programme” which is an online interactive tool that provides an overview of local government and applicable legislation. New staff are required to complete this programme, creating early awareness of legislative obligations.

15. The next legislative compliance survey will commence in April 2019 and will capture the period 1 October 2018 to 31 March 2019.

**Business Continuity**

16. In February 2017 KPMG completed a business continuity management assessment, identifying a number of improvement opportunities for council, including conducting regular business continuity exercises.

17. On 25 February 2019, the council Crisis Management Team (CMT) was convened and a business continuity table top exercise was conducted, facilitated by Resilient IT. The CMT were presented with an earthquake scenario whereby all occupants of council’s Hamilton East buildings were evacuated, these buildings were deemed unsafe to enter for an extended period of time and there was significant damage to council’s flood protection infrastructure assets in the Waihou Piako Region.
18. The exercise objectives included:

   a) Whether council is able to meet its duties under the Civil Defence Emergency Management Act 2002: “A local authority must ensure that it is able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency”;
   b) The effectiveness of the Business Continuity Plan and Essential Services Response Plans;
   c) The effectiveness of the Crisis Management Team and Essential Services Teams in their business continuity roles;
   d) The effectiveness of communication to team members, stakeholders and media;
   e) The ability and timeliness in accessing funding/emergency funding; and
   f) The ability of team members to work from different locations.

19. The CMT developed the following initial lessons learned from the exercise:

   a) Utilising a Coordinated Incident Management structure at the outset;
   b) Engaging an administrative resource to record actions at the outset;
   c) Improved clarity on communications to staff members;
   d) Improved engagement with stakeholders, including governors and suppliers;
   e) Improved understanding of alternate building options, and transport options;
   f) Improved understanding of accessing funding;
   g) Insufficient capacity to cover both civil defence emergency management and council roles, e.g. communications;
   h) Refresh of council essential services; and
   i) Review of the CMT constitution.

20. The report providing further details on objectives, lessons learned and recommendations will be presented at the May 2019 Committee meeting.

Key Projects Update

Waikato Regional Plan Change 1 - Waikato and Waipa River Catchments (Healthy Rivers / Wai Ora) and Variation 1 of PPC1

21. Hearings on Proposed Waikato Regional Plan Change 1 Waikato and Waipa River Catchments (PPC1) are due to commence on 11 March 2019. PPC1 will be heard by a panel of independent commissioners. Hearings are planned over three "blocks" running from 11 March 2019 through to the end of August 2019.

22. To assist the hearings process throughout, mediation sessions have also been planned with submitters in relation to the following topics:
   a. Commercial vegetable production
   b. Farm environment plans; and
   c. Sub catchment planning.

23. The intention is that the above mediation sessions will assist in narrowing the range of the issues to be considered by the hearings panel.

24. The first section of the council planning report (prepared under section 42A of the Resource Management Act 1991) on PPC1 was released on 14 January 2019 as planned. This report sets out council’s latest position on PPC1, taking into account all relevant submissions. Council staff have prepared statements of evidence in support of the planning report. These statements will be presented at the opening of the hearing. Resourcing has been confirmed for the presentation of the council submission on PPC1.

25. The key open risks/issues for the PPC1 project are:
a. It was reported to the November 2018 Audit and Risk Committee meeting that the external economic modelling expert required to assist the PPC1 process was no longer available. An expert in natural resources economics has since been engaged to assist with the delivery of the modelling scenario testing that may be required to assist the hearings. Modelling was a key part of the justification for PPC1 and the council may be required to present further evidence on this aspect as part of the deliberations. This is no longer considered a high risk for the project.

b. The potential for the hearings to run beyond August 2019 into the council election cycle, thereby delaying a council decision on the plan change. This has the potential to significantly impact the timeframes for the implementation of PPC1. The timeframe for the hearings (i.e. number of days required) is dependent on the number of submitters that wish to be heard.

Healthy Rivers Wai Ora (HWRO) Implementation
26. The key open risks for the HRWO Implementation Project are as reported to the Committee in November 2018, with the exception of the risk regarding insufficient time to prepare for implementation because of delays to the decision. This risk has been closed because it is sufficiently covered under the risk pertaining to a decision not being made prior to the council elections.

Other Matters

Feedback and Complaints
27. The Audit and Risk Committee reviewed a long tail of unresolved complaints in late 2014 and identified the need for a formal process to track, escalate and close off complaints. In March 2015, the council approved a new feedback and complaints process and since then the organisation has been progressively putting in place the system’s building blocks, starting with manual processes for capturing, assessing and managing complaints. The process went live in the council’s regulatory and customer system, Iris, in November 2016, further improving the council’s ability to manage, report and identify improvement opportunities arising from customer complaints. The process is now embedded as business as usual.

28. As the lack of a formal complaints management system no longer represents a risk to council and is part of business as usual operations, it is recommended that feedback and complaints will be reported to the Environmental Services and Performance Committee, rather than Audit and Risk.

29. Refer to Appendix 1 for a breakdown of Feedback and Complaints.

Update on Office of Auditor General (OAG) Review – Regional Council Progress in Managing Impacts on Freshwater Quality 2017
30. Council staff received an update from the OAG in January 2019 advising that work is underway on the draft report and further timeframes would be provided in due course.

Update on the OAG Review - Hauraki Gulf Marine Spatial Plan Process
31. In May 2018 the OAG conducted in-depth interviews with the elected members and staff that they had identified as being of relevance to their audit. The OAG released their draft, confidential report in December 2018.

32. Council staff view the report as presenting a reasonably fair and balanced assessment. The main findings were:
   a. The project was a successful example of a stakeholder–led collaborative approach;
b. The governance structures set up to develop the plan could have been better balanced between giving the stakeholder working group independence while still receiving the right amount of support from agencies;
c. There needed to be more communication and discussion of the plan with stakeholders as it neared completion as not all stakeholders agreed with the final plan;
d. While not intended, more public engagement on the plan as it neared completion or after it was completed would have been of benefit; and
e. In setting up the project, agencies could have done more to prepare for implementation of the plan, including how they would work together with other organisations, stakeholders and mana whenua.

33. Of note is that the report acknowledges the deliberate and proactive approach council has taken towards considering the Hauraki Gulf Marine Spatial Plan.

Update on the review of National Environmental Standard for Sources of Human Drinking Water

34. The Ministry for the Environment completed its review of the National Environmental Standard for Sources of Human Drinking Water (Drinking Water NES) in December 2018. The review sought to assess the implementation and effectiveness of the Drinking Water NES and to consider the relevant findings of the Government Inquiry into Havelock North Drinking Water.

35. The Drinking Water NES came into effect on 20 June 2008. The intent of these regulations is to reduce the likelihood that water bodies used for community drinking water supply contain contaminants adversely affecting the safety of the drinking water after it has undergone a treatment process.

36. The Drinking Water NES requires regional councils and territorial authorities to consider risks to drinking water sources in applicable Resource Management Act 1991 (RMA) planning and consenting decisions. Specifically, it requires regional councils to:
   a. decline discharge or water permits that pose certain risks to the quality of a drinking water supply; and
   b. be satisfied that permitted activities in regional plans will not pose certain risks to the quality of a drinking water supply.

37. It also requires regional councils and territorial authorities to consider whether the activity may, directly or indirectly, have a significant adverse effect on the quality of a community drinking water supply, before determining a resource consent application and place conditions on relevant resource consents that require notification to a drinking water supplier and the consent authority if an event (e.g., a chemical spill) could significantly affect the safety of a community drinking water supply occurs.

38. The key findings of the review are:
   a. the implementation of the Drinking Water NES varies across the country, and many regional councils do not have clear methods and processes in place for identifying activities that need to be assessed against the requirements of the regulations;
   b. while this variation does not necessarily indicate regional councils are not meeting their obligations under the drinking water NES, it is clear that the existing regulations are not promoting consistency in RMA decision-making with regards to activities that pose a risk of contamination of community drinking water supplies;
   c. following the introduction of the Drinking Water NES, regional councils have taken steps to consider risks of contamination in certain RMA decisions. However, the available evidence suggests this has not had any discernible impact on the concentration of contaminants in drinking water supplies; and
achieving the purpose of the Drinking Water NES would require regional councils to apply the regulations to a wider range of activities and RMA decisions (beyond those prescribed under the regulations). This suggests the regulations are not fit for purpose.

39. To improve the effectiveness of the Drinking Water NES the Havelock North inquiry recommended significant changes to the regulations, including using source protection zones to define the spatial area to which the regulations apply and extending the scope of the regulations to apply to a wider range of activities governed by the RMA.

40. The Government is considering the Havelock North inquiry’s recommendations, along with the findings of the review of the Drinking Water NES, as part of a system-wide review of the drinking water regulatory framework in New Zealand.

Council response
41. Meantime, council has initiated a review of its own practices against the Drinking Water NES, and anticipated changes to the standard. The review will look at:
   a. any gaps in information that put council’s processes at risk of failing to protect a drinking water supply;
   b. mechanisms and gaps for the protection of source water (statutory and non-statutory);
   c. processes for granting consent for water takes or discharges in the potential contamination zone of a drinking water supply;
   d. processes for decommissioning of water takes or discharges; and
   e. how the above processes are implemented by council and identify recommendations for improvement, where appropriate.

42. The findings of the council’s review are expected in May 2019.

Managing Per- and Poly-fluoroalkyl substances (PFAS) risk
43. Per- and Poly-fluoroalkyl substances (PFAS) have been used for decades, but have only recently come under scrutiny. They are known as a ‘contaminant of emerging concern’ because their impacts on the environment and human health are only now starting to be understood. PFAS are highly water soluble, do not readily break down, and research is beginning to indicate they are likely to have toxic effects on plants and animals. PFAS were used widely in many household items such as waterproof clothing, non-stick pans and food packaging; but were also a component in some types of fire-fighting foams. The majority of PFAS compounds were introduced to New Zealand from the 1980s, with two of the PFAS compounds of greatest concern having been gradually phased out since 2000, and exclusion of two PFAS compounds of greatest concern from use in fire-fighting foams since 2006. Combined with better regulation, awareness and improvements to the compounds and other alternatives currently being used, there should be less PFAS entering the environment.

44. In March last year, the Ministry for the Environment asked all regional councils about sites that might have used PFAS, and how these were ranked based on potential environmental impact. To answer these questions, council scientists commissioned a report to identify and prioritise potential sites in the Waikato region. The report did not involve any site visits or soil/water sampling; instead focussing on the types of industries that would have used PFAS compounds. It then ranked them according to their likely volumes of use, characteristics of use (e.g. indoor or outdoor) and proximity to surface water features and potable groundwater resources. The consultants were asked to develop a scoring system that would be relevant to the full range of potential sites in New Zealand so that if other regional councils wished to use this methodology, the results should be relative and comparable.

45. As a result of this work, there are 122 sites in Waikato that may have used PFAS compounds (1.3% of all sites included on council’s Land Use Information Register). The report does not identify each site individually. Of these 122 potential sites, 96 are landfills, with other types including sites of large industrial fires, wastewater and waste treatment facilities, a metal plating facility and bulk flammable liquid storage...
facilities. To the best of our knowledge, the Waikato region does not have any defence sites or airports that have/had significant firefighting training facilities.

46. Next steps are yet to be determined. However, the report does suggest considering a higher resolution risk assessment of the sites that came out as having a higher potential risk, and that any resource consents associated with these sites could be reviewed to determine whether PFAS might be added to the monitoring schedules.

47. Although central government rapidly assembled an All of Government Working Group in early 2017 to assess what this contaminant of emerging concern meant for New Zealand, the view is that PFAS should be considered along with, and treated similarly to, all other contaminants that local government currently regulates.

48. Other regional councils have investigated this issue to a greater or lesser extent. Along with the consultants who prepared the report for the Waikato region, council staff plan to present the methodology used to rank potential PFAS sites to the Regional Waste and Contaminated Land group meeting in Wellington on 11 March 2019.

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

Attachments
Appendix 1 – Feedback and Complaints
Appendix 1 – Feedback and Complaints

All Directorates (excluding Passenger Transport) as at 19.2.2019

Note: Data from November 2016

By request subject

- Service quality: 294
- Other: 256
- Prices: 113
- Policy, rules, regulators: 91
- Conduct - staff or contractor: 67
- Cost - makes: 10
- Cost - general: 12

Feedback and Complaints November 2018 – January 2019

Feedback and complaints by Directorate - Last three months

RUD = Resource Use Directorate
ICM = Integrated Catchment Management
SAS = Science and Strategy
CE Off = Chief Executive’s Office
Passenger Transport (as at 19.2.2019)

Number of currently open complaints by month

Complaints received in the last three months, by service issue
Open Report to Audit and Risk Committee

Date: 22 February 2019

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.

Staff Recommendation:
That the report Policy Review Schedule Update (Doc #13842052 dated 22 February 2019) be received.

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

3. A Policy Review Schedule Update on policies due for review this quarter is outlined in Appendix 1.

Attachments
Appendix 1 – Policy Review Schedule Update
## 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>Travel and Accommodation</td>
<td>2 yearly</td>
<td>January 2019</td>
<td>Chief Financial Officer</td>
<td>ELT</td>
<td>This has been updated and will be submitted to ELT for review and approval.</td>
</tr>
</tbody>
</table>
| Sensitive Expenditure  | 2 yearly     | January 2019  | Chief Financial Officer     | Audit and Risk Committee | This Policy is under review and will be reported back to the Committee in May 2019. The review process is:  
  - Circulate to Executive Assistants for comment from Teams and Directorates  
  - ELT to endorse any updates  
  - Audit and Risk for review/approval |
| Purchasing Card       | 2 yearly     | January 2019  | Chief Financial Officer     | ELT                | This has been updated and will be submitted to ELT for review and approval. |
| Gifts and Personal Benefits | 2 yearly     | January 2019  | Chief Financial Officer     | ELT                | This has been updated and will be submitted to ELT for review and approval. |
| Entertainment Expenditure | 2 yearly     | January 2019  | Chief Financial Officer     | ELT                | This has been updated and will be submitted to ELT for review and approval. |
Report to Audit and Risk Council

Date: 27 February 2019
Author: People and Capability Manager
Authoriser: Neville Williams, Director Community and Services
Subject: Annual Leave, Wellbeing and Health & Safety Indicators
Section: A (Committee has delegated authority to make decision)

Purpose
1. To update the Audit and Risk Committee on management of annual leave balances, staff wellbeing and key health and safety indicators.

Executive Summary
2. Management of employees with high leave balances remains a focus. Employees holding leave balances of 7 weeks or more has reduced in recent months, with numbers of employees holding high balances now matching the low achieved in February 2018. Generally our senior employees have taken good blocks of leave during the last 12 months. However discussions will be undertaken with four employees to ensure adequate leave is scheduled in coming months.

3. Employee Wellbeing indicators are positive - with sickness absenteeism at low levels, employee turnover steady, good trends evident in our Employee Pulse Report and a number of proactive employee-led programmes underway to help support employee wellbeing. Additionally, a strategic wellbeing plan is under development based on three key areas of employee wellbeing:
   1. Physical Activity and Healthy Eating
   2. Mental Wellbeing
   3. Avoiding Impairment: Fatigue, Alcohol and Drugs.

4. Our Health and Safety Indicators remain in line with expectations, with reported levels of incidents and near misses consistent with previous months. Critical risk management and controls continue to be monitored, with vehicle use the critical risk area where incidents are most regularly reported. A notable reduction in sick leave usage is identified as a particularly strong and positive trend that has been sustained over the last 12 months.

Staff Recommendation:
That the report “Annual Leave, Wellbeing and Health & Safety Indicators” (Doc #13872250) dated 27 February 2019 be received.

Public Excluded (delete if not applicable)
5. The following good reason(s) to withhold this report from the public exist(s) under Sections 6 and 7 of the Local Government Official Information and Meetings Act 1987 (LGOIMA), Section 48 (1): To protect the privacy of natural persons, including that of deceased natural persons (S7 (a)).
Background
6. Annual leave management has been reported to the Audit and Risk Committee since August 2016, with a focus on management of employees with high leave balances and ensuring that senior employees were taking adequate breaks (to ensure their wellbeing and to mitigate the risk of fraudulent activity).

7. Understanding the performance of the Council’s health and safety management system has also been a regular report to the Audit and Risk Committee. Alongside a focus on risk management and the effectiveness of the safety management systems, the Committee has requested insights to the wellbeing of Council employees.

Annual Leave Management
8. WRC annual leave policy provides for up to 6 weeks annual leave balance being held. Regular monitoring of annual leave balances has been in place since August 2016 to ensure balances do not accrue to excessive levels. The table below sets out WRC annual leave balances as at 14 February 2019.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<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>21</td>
<td>22</td>
<td>12</td>
<td>-12 -50%</td>
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<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>37</td>
<td>32</td>
<td>27</td>
<td>-14 -34%</td>
</tr>
</tbody>
</table>

9. The February 2019 annual leave data is positive, with the lowest level of high leave balances since reporting commenced in August 2016. The February 2019 data is currently equivalent to the level reported in February 2018. The seasonality of the data is evident, with late summer leave balances confirming high usage of annual leave during the Christmas and New Year summer period. All employees with leave balances of greater than 320 hours remain under active leave management. There are currently 5 employees (1 in RUD and 4 in ICM) with annual leave balances in excess of 400 hours.

10. The charts below show annual leave taken in hours for 2018 and year to date for 2019. They provide a detailed view of the seasonality of leave usage, with spikes as expected during school and summer holidays periods. The January 2019 data is aligned with the figures from January 2018.

Annual leave taken by Month (in hours) for 2018
11. Audit and Risk have requested a report identifying staff who did not take leave in blocks of two weeks or more. The table below shows a breakdown of leave taken in blocks for Section Managers and ELT since 1 February 2018. 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.

<table>
<thead>
<tr>
<th>Block of leave taken</th>
<th>Count of annual leave taken in blocks (Section Managers and ELT) as at 20 February 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than a fortnight</td>
<td>13</td>
</tr>
<tr>
<td>Full fortnight</td>
<td>6</td>
</tr>
<tr>
<td>Over a week</td>
<td>19</td>
</tr>
<tr>
<td>Full week</td>
<td>20</td>
</tr>
</tbody>
</table>

12. There are currently seven managers that have not taken a two week block of leave since 1 February 2018. Of these three are new to the organisation, having started late in 2018. Of the remaining four, two have taken four days in a row (and when combined with public holidays have taken a full week of leave). Discussion will be necessary with each of these four to ensure a block of leave is booked as soon as possible. Action has commenced to this effect.

Wellbeing

13. WRC values its most important asset – its people. WRC understands the importance of having healthy employees, and employees benefit from being healthy and having the assistance they need to address and maintain personal wellness.

14. Current indicators of staff wellbeing are considered to be good. With sickness absenteeism at low levels, employee turnover steady, good trends evident in our Employee Pulse Report and a number of proactive employee-led programmes underway being led by our People and Capability Section or Wellbeing Project Team. These include:
   - Flexible Working - a working group has been established to help review our approach to flexibility and bring this in line with good practice
   - Drugs and Alcohol – a working group has also been established in this area, with a focus on a modern and fit for purpose D&A Policy at WRC
   - Bullying and Harassment – focussing particularly on building awareness via training
   - Employee Assistance Programme – promoting access and awareness of services
   - Leave Management – processes to ensure adequate rest and recreation
   - Peer Support – development of a programme to better enable peer support at work
   - Fitness and Activity – supporting events like the Round the Bridges run, waka teams and social sports teams
   - Health Monitoring (pre-screening and during work), Influenza Vaccinations, Eye Checks, Skin Checks
   - Work Well – Sit-to-stand desks, ergonomic assessments etc.
15. These programmes and initiatives (along with a number of others that are not listed) are currently being worked into a holistic WRC Health and Wellbeing Plan. The Wellbeing Plan is intended to align with our work on culture and ensure we have a resilient and well workforce. It has been created based on the following principles:

- Everyone who goes to work should go home safely, both mentally and physically (this is more than an obligation)
- The workplace should be a place where people thrive
- A person’s experience at work can have a positive or negative effect on overall mental health and wellbeing
- Work can be good for people’s health and wellbeing, and can support recovery from physical and mental health problems
- Anyone can suffer a period of poor physical or mental health
- To unlock the workforce’s true potential, a wellbeing plan should aim to both protect workers from harm and include activities to support recovery and overall wellbeing
- Creating a healthy workplace is the joint responsibility of the individual and the organisation.

16. Although yet to be finalised, it is expected that the plan will be broken into 3 discrete work-streams;
   4. Physical Activity and Healthy Eating
   5. Mental Wellbeing
   6. Avoiding Impairment: Fatigue, Alcohol and Drugs.

In each area long term goals are being defined, with supporting programmes of work, events or initiatives. The plan will be completed before the end of the financial year, and when adopted by ELT for WRC will inform the structure of ongoing reporting on Staff Wellbeing to the Audit and Risk Committee.

**Health and Safety Indicators**

17. WRC health and safety indicators are reported to council each month. The report 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. Additionally, from time to time other topics regarding health and safety of relevance for council are included. The H&S indicators are attached to this report as Appendix B. Key trends from the January 2019 report include:

- There were a total of 17 incidents reported in January 2019. Of this number, 12 were events and 5 were near misses
- There were no lost time injuries or notifications to WorkSafe in January 2019.
- There were 2 reports against the vehicle use critical risk in January. Both incidents resulted in minor vehicle damage, with no injuries reported.
- Events held in the pending file for greater than one week has increased slightly; 9.52% in December and 9.78% in January.

18. A notable H&S trend throughout the last year has been the diminishing utilisation of sick leave usage by employees. Sickness absenteeism is seasonal, so comparisons in usage to the same month of the previous year is useful. Sick leave hours absent decreased from the 3.8 recorded in January 2018 to 2.8 in January 2019 (average hours absent per person per month). The rolling average for the year is 3.6 hours per employee, this is within the targeted benchmark range of 3.0 to 5.0. The sustained downward trend in sick leave usage is extremely positive, perhaps relating to the increased take up of the flu vaccination in 2018 (>50% take up) and investment into organisational leadership and culture.

**Conclusion**

19. Leave management, employee wellbeing and our health and safety indictors indicate no major issues or concerns at this point in time. The data is actively monitored, with managers and Health and Safety or Human Resources Business Partners proactively dealing with issues as they do arise. A specific area of focus currently is on those manager identified as being required to take a block of annual leave, along with the ongoing focus on any employees with a high accrued annual leave balance. The Wellbeing Plan is an
exciting area of development, and will once finalised provide a useful framework for ongoing reporting and discussion with the Audit and Risk Committee.

Attachments

**Appendix A**: Employees with an annual leave balance of greater than 280 hours (at 14 February 2019)

**Appendix B**: Council Health and Safety Indicators – Monthly Dashboard, January 2019
## APPENDIX A

Employees with an annual leave balance of greater than 280 hours (at 14 February 2019)

<table>
<thead>
<tr>
<th>Directorate</th>
<th>Count</th>
<th>280+</th>
<th>320+</th>
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<tr>
<td>CAS</td>
<td>1</td>
<td>346.80382</td>
<td></td>
</tr>
<tr>
<td>CAS</td>
<td>2</td>
<td>295.08997</td>
<td></td>
</tr>
<tr>
<td>CAS</td>
<td>3</td>
<td>293.61573</td>
<td></td>
</tr>
<tr>
<td>CAS</td>
<td>4</td>
<td>284.04588</td>
<td></td>
</tr>
<tr>
<td>FIN</td>
<td>5</td>
<td>391.30382</td>
<td></td>
</tr>
<tr>
<td>ICM</td>
<td>6</td>
<td>620.51382</td>
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<td>ICM</td>
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<td>ICM</td>
<td>10</td>
<td>357.50993</td>
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</tr>
<tr>
<td>ICM</td>
<td>11</td>
<td>356.26382</td>
<td></td>
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<tr>
<td>ICM</td>
<td>12</td>
<td>349.26382</td>
<td></td>
</tr>
<tr>
<td>ICM</td>
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<td></td>
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<tr>
<td>ICM</td>
<td>14</td>
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<tr>
<td>ICM</td>
<td>15</td>
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<td></td>
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<tr>
<td>ICM</td>
<td>16</td>
<td>282.34601</td>
<td></td>
</tr>
<tr>
<td>MCEO</td>
<td>17</td>
<td>339.64405</td>
<td></td>
</tr>
<tr>
<td>RUD</td>
<td>18</td>
<td>480.87946</td>
<td></td>
</tr>
<tr>
<td>RUD</td>
<td>19</td>
<td>333.89383</td>
<td></td>
</tr>
<tr>
<td>RUD</td>
<td>20</td>
<td>318.27879</td>
<td></td>
</tr>
<tr>
<td>RUD</td>
<td>21</td>
<td>307.15371</td>
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<td>22</td>
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</tr>
<tr>
<td>SAS</td>
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<td>310.26382</td>
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<tr>
<td>SAS</td>
<td>25</td>
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<tr>
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</tr>
<tr>
<td>SAS</td>
<td>27</td>
<td>292.33405</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX B

Council Health and Safety Indicators – Monthly Dashboard, January 2019

Lost Time Injuries
There were no lost time injuries for January 2019.

Critical Risk Events
There were 2 events reported against vehicle use critical risk: a council vehicle was in a queue of vehicles and was hit from behind. The tow bar took the impact. The second involved a vehicle that was stationary at an intersection, and a vehicle hit the back guard at very low speed. There was minor vehicle damage in both incidents and no injuries.

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), and Very Poor (very weak) – Reference information obtained from: Risk Management Framework – Corporate Risk Policy (DM # 2151610).

Critical and High Risks
(those with a risk score of 30 or higher)

<table>
<thead>
<tr>
<th>Risk Source</th>
<th>Raw Risk Score</th>
<th>Residual Risk Score</th>
<th>Risk Effectiveness Levels</th>
<th>Insights</th>
<th>Reported Incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle use</td>
<td>30 – Critical</td>
<td>15 – High</td>
<td>Good (strong)</td>
<td>Full PPE requirements. Controls are adequate. Risk review completed January 2019</td>
<td>2</td>
</tr>
<tr>
<td>Contractor activities</td>
<td>30 – Critical</td>
<td>15 – High</td>
<td>Good (strong)</td>
<td>Traffic requirements. Contract manager training in place (NTISI Unit Standard 13749). In-house training on 18th calendar. Risk review completed January 2019</td>
<td></td>
</tr>
<tr>
<td>Worker’s Health and Safety</td>
<td>30 – Critical</td>
<td>15 – High</td>
<td>Good (strong)</td>
<td>Controls adequate. Water Working Policy now includes competency assessment. Reviewed October 2018</td>
<td></td>
</tr>
<tr>
<td>Health and Safety</td>
<td>30 – Critical</td>
<td>15 – High</td>
<td>Good (strong)</td>
<td>Controls adequate and preventative measures in place.</td>
<td></td>
</tr>
<tr>
<td>Street by moving vehicles / equipment</td>
<td>30 – Critical</td>
<td>10 – High</td>
<td>Good (strong)</td>
<td>Controls adequate. Risk Review completed May 2018</td>
<td></td>
</tr>
</tbody>
</table>

Risks are reviewed at least annually or after a system / process change, or after a critical event.

Health and Safety Summary

All other events summary

<table>
<thead>
<tr>
<th>ID</th>
<th>Category</th>
<th>Subject</th>
<th>Event Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2953</td>
<td>Procedure</td>
<td>Hit to head</td>
<td>Unfinished</td>
</tr>
<tr>
<td>2957</td>
<td>Vehicle</td>
<td>Traffic incident – hit from behind</td>
<td>Unfinished</td>
</tr>
<tr>
<td>2959</td>
<td>Equipment failure</td>
<td>Door not charged</td>
<td>Unfinished</td>
</tr>
<tr>
<td>2960</td>
<td>Person/human</td>
<td>Substance splash to the eye</td>
<td>Unfinished</td>
</tr>
<tr>
<td>2964</td>
<td>Criminal/other local</td>
<td>Irritable/behaviour</td>
<td>Unfinished</td>
</tr>
<tr>
<td>2961</td>
<td>Vehicle</td>
<td>Traffic incident – hit from behind</td>
<td>Unfinished</td>
</tr>
</tbody>
</table>

Health and Safety Summary

Org wide - Near Miss Events vs All Other Events

Near miss summary

<table>
<thead>
<tr>
<th>ID</th>
<th>Category</th>
<th>Subject</th>
<th>Event Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1514</td>
<td>Vehicle/public</td>
<td>Reversing – person walked behind car</td>
<td>Not started</td>
</tr>
<tr>
<td>1511</td>
<td>Vehicle/public</td>
<td>Traffic incident – anticipated, and avoided at an event</td>
<td>Not started</td>
</tr>
<tr>
<td>150</td>
<td>Vehicle/public</td>
<td>Pedestrian hit with car</td>
<td>Not started</td>
</tr>
<tr>
<td>491</td>
<td>Facility/structure</td>
<td>Potentially hazardous</td>
<td>Not started</td>
</tr>
<tr>
<td>493</td>
<td>Facility/structure</td>
<td>Discovered broken glass</td>
<td>Not started</td>
</tr>
</tbody>
</table>
In January, sick leave decreased to 2.8, which is the significantly lower than the hours reported in January 2018.

The rolling average for the YTD has dropped to 3.6 which is within the benchmark range of 1.0 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.

Events pending >1 week have increased slightly from 9.12% in December 2018 to 9.78% in January.

In January 2019, a total of 12 events (excluding near misses) were reported. Refer to red line in previous graph.

Of the 12 events 6 corrective actions have been assigned and completed.

In January 2018, a total of 5 near misses were reported. Refer to green line in above graph.

Of the 5 near misses 1 corrective action has been assigned and completed.

<table>
<thead>
<tr>
<th>Event Correction Actions</th>
<th>Near Miss Corrective Actions</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Course</th>
<th>Duration</th>
<th>Dates</th>
</tr>
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<tbody>
<tr>
<td>Accident Investigation (managers)</td>
<td>1 day</td>
<td>February, March, May, June 2019</td>
</tr>
<tr>
<td>Manual Handling (employees)</td>
<td>1/2 day</td>
<td>1 March 2019</td>
</tr>
<tr>
<td>Customer Conflict &amp; Awareness</td>
<td>3.5 hours</td>
<td>30 January, 16 May 2019</td>
</tr>
<tr>
<td>Emergency Wardens</td>
<td>6 hours</td>
<td>2018/19 Training – ongoing as required</td>
</tr>
<tr>
<td>First Aid Training</td>
<td>1 day</td>
<td>2018/19 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 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 with HR Systems &amp; Reporting Advisor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditor</th>
<th>Section/Audit Description</th>
<th>Audit Classification</th>
<th>Date of Audit</th>
<th>Findings</th>
<th>Completion date</th>
<th>Completed Actions</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audits</td>
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<tr>
<td>Business Partner</td>
<td>R&amp;D</td>
<td>Risk management/contractor management</td>
<td>July 2018</td>
<td>16</td>
<td>December 18</td>
<td>16</td>
<td>Check scheduled to review effectiveness</td>
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<tr>
<td>IFMIG</td>
<td>ICM and R&amp;D</td>
<td>Overlapping duties of health and safety systems review/contractor management</td>
<td>15 August 2018</td>
<td>1 medium</td>
<td>September 15</td>
<td>15</td>
<td>Actions loaded into Vault and underway</td>
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</table>
Open Report to Audit and Risk Committee

Date: 25 February 2019

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

This report provides an Audit Activity Update from KPMG and a copy of the Stakeholder Survey.

Staff Recommendation:

1. That the report Internal Audit Programme Update (Doc # 13858999 dated 25 February 2019) be received.

KPMG Audit Activity Update Report

1. A summary of internal audit activity for the period November 2018 to March 2019 is attached at Appendix 2.

Stakeholder Survey

2. As requested at the November 2018 Committee meeting a copy of the Stakeholder Survey is attached at Appendix 2.

Attachments

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Description</th>
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<td>1</td>
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</tr>
<tr>
<td>2</td>
<td>Stakeholder Survey</td>
<td>12817927</td>
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</table>
# Contents

1  FY2018/19 Internal Audit Plan  
   1.1 Internal Audit Plan Status  
   1.2 Details of Engagements Currently Underway  

2  Other Activities  
   2.1 Risk Workshop  
   2.2 Waikato LASS Insights Session
1 FY2018/19 Internal Audit Plan

We are pleased to provide a summary of our internal audit activity for the period November 2018 to March 2019.

1.1 Internal Audit Plan Status

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

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<tbody>
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<td>FY2018/19 Internal audit plan</td>
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<td>1 Closed audit activities follow up</td>
<td></td>
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<tr>
<td>2 Data analysis AP</td>
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<td>3 Cyber security – Penetration Test</td>
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<td></td>
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<tr>
<td>4 Project review – Major Accommodation Project</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>5 Effectiveness of management reporting</td>
<td></td>
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<tr>
<td>6 Re-Implementation Controls review – corporate systems replacement</td>
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<td></td>
<td></td>
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<tr>
<td>7 Workforce change preparedness – Major accommodation project</td>
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Additional reviews FY 2018/19

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<tr>
<td>1 Stakeholder engagement survey</td>
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<td></td>
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<td></td>
<td>Effective</td>
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<tr>
<td>2 New capital works project life-cycle review</td>
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<td>N/A</td>
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<tr>
<td>3 Corporate system replacement – procurement process</td>
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<tr>
<td>4 Corporate system replacement – business case review</td>
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</table>

Data Analysis Review: Fieldwork is currently underway with data being extracted at the time of this report. We expect analysis of extracted data to have commenced at the time of the ARC meeting in March.

Cyber Security Review: will now involve an external penetration test with fieldwork to be performed week commencing 5 March 2019.

Planning is underway for a further three reviews.
1.2 Details of Engagements Currently Underway

*Corporate System Replacement – Business Case Review*

The business case developed for the procurement of WRC’s Corporate Systems replacement has been assessed against the Government’s “Better Business Case” guidelines.

The review has been performed on a section by section basis and feedback has been provided on the Financial, Management, Strategic, and Economic cases. Based on our feedback, management either amended the business case or provided reasoning for specific approaches. The Commercial case is currently being assessed. Following this, a report will be provided to give a holistic review of the findings from all cases assessed.
2 Other Activities

The following activities are in planning since the last meeting.

2.1 Risk Workshop

Each year KPMG facilitates a reassessment of the Council's risks. This session is typically held in March, the results of which feed into the internal audit plan development for the following financial year. This session is scheduled to occur on March 7.

2.2 Waikato LASS Insights Session

Details of the 2019 Waikato LASS insights session are being prepared. No date for this session has been set at this time, however we expect it to be held prior to 30 June 2019.
Stakeholder Survey 2018: Results

13 August 2018

Social & Economic Science
Science & Strategy
## Contents

1. Results Summary
2. Introduction
3. About the Responding Stakeholders
4. Service Performance and Working Relationships
5. Communicating with you and your organisation
6. Overall Results and Performance
7. Final Stakeholder Comments
8. Appendix One: Results Tables

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<th>Page</th>
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<tr>
<td>Introduction</td>
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</tr>
<tr>
<td>About the Responding Stakeholders</td>
<td>5</td>
</tr>
<tr>
<td>Service Performance and Working Relationships</td>
<td>6</td>
</tr>
<tr>
<td>Communicating with you and your organisation</td>
<td>8</td>
</tr>
<tr>
<td>Overall Results and Performance</td>
<td>10</td>
</tr>
<tr>
<td>Final Stakeholder Comments</td>
<td>12</td>
</tr>
<tr>
<td>Appendix One: Results Tables</td>
<td>13</td>
</tr>
</tbody>
</table>
1. Results Summary

Local governments have a range of key stakeholders with unique interests and needs. Managing these stakeholder relationships successfully is essential to ensure ongoing effective council operations. The 2018 stakeholder survey was undertaken to capture point in time measures of how key stakeholders view their (and their organisations) relationship with council.

The feedback presented here will contribute to the current review being undertaken by KPMG in the stakeholder engagement and communication space. Iwi partners were not included in this particular survey given that their views, on some similar issues, had been gathered in a separate satisfaction survey that ran in May-June 2018. Where questions from both surveys are similar, comments on results from the iwi satisfaction survey\(^1\) have been included at the end of this summary section.

This summary has three purposes, being:

- To highlight the areas where key stakeholders are satisfied with varying aspects of council’s service performance, working relationships and communication;
- To highlights results where ‘gaps’ may exist - where current ways of working may not be best meeting the needs of key stakeholders; and
- Note results from the recent iwi partners’ satisfaction survey, where appropriate.

In terms of ‘gaps’ or areas for improvement, it must be acknowledged up front that the majority of all key stakeholders responding to this 2018 survey were satisfied in relation to the bigger picture of council’s service performance, working relationships and current ways of communicating and engaging. Consequently any ‘gaps’ identified here come from a very small number of stakeholder responses. However, given all respondents are key stakeholders these gaps, even when small, are worth consideration. The messaging sent out with the survey link noted that all responses would be used to identify any potential to improve council’s relationships with respondents and the organisations they represent.

**Service performance and working relationships**

Key stakeholders were satisfied with the quality of services received from council staff and satisfied with the recent opportunities for engagement available to them as part of the 2018-2028 LTP planning process. The majority of respondents were also satisfied that council staff understood their organisation’s priorities.

The number of responses involved are small, but there was some dissatisfaction expressed with the level of staff and councillor understanding of the priorities and objectives of stakeholder organisations. This indicates potential room for both staff and councillors who interact with key stakeholders to become more familiar with the priorities and objectives of these organisations.

**Communication**

The current level and type of communication with the responding key stakeholders was generally well regarded and would seem to be pitched about right. Stakeholders were also satisfied with the frequency and quality of interpersonal communications between themselves (and their organisation) and council. Most respondents noted they found it easy to contact the right person in council when they needed to. No one reported this as difficult. Most respondents favoured face-to-face communication, followed by email. It was noted, however, that this did depend on the situation.

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\(^1\) Results were accessed from the WRC surveymonkey.com account rather than a written report.
The only small gap identified (and only from two respondents) is in relation to how well key organisations are informed on council activities. However, given the ‘overall’ nature of the questions asked, and the anonymous nature of the respondents, it is not possible to identify exactly where any improvement could be targeted.

**Overall Results and Performance**

In two of councils overall performance areas key areas stakeholders generally agreed that council is working effectively for sustainable management of natural resources and in making decisions that are in the best interests of the region.

In relation to how well council is achieving its overall mission (‘to work with others in building a Waikato that has a healthy environment, a strong economy and vibrant communities’) a small number of stakeholders (four) were not satisfied, with three of these respondents working in Local Authorities. That said however, ‘collaborative stakeholder relationships’ was ranked as council’s top strength, with scientific and technical expertise and iwi partnerships ranking as second and third. This indicates perhaps that stakeholders do view council’s ability to ‘work with others’, a critical part of the overall mission, as being in place.

Iwi partners were asked similar questions around how satisfied they were with the collaborative relationships they have with council. All five iwi partners responded they were satisfied (two of those indicated they were ‘very satisfied’). In terms of iwi satisfaction with the go-governance arrangements in place with council – again all five partners were satisfied.

Regarding any opportunities identified to work together better, one stakeholder raised their identified need for more structured ways for industry in particular to interact with council senior leadership. Another stakeholder noted a desire for more regular ‘developer interface with council’ (citing the need for better collaborative sustainable development goals). The current good relationships in place were mentioned by one respondent, who commented that their feedback was given to facilitate making things even better, aligning perfectly with the overall intent of the 2018 stakeholder survey.

2. Introduction

The purpose of this survey was to capture the views of key stakeholders on aspects of council’s engagement and performance. Sixty identified key individuals were invited to participate. The email messaging included that any findings would be used to help council improve engagement with both the respondents and the organisation they represent (hence the focus on any ‘gaps’ in the previous summary section). Iwi partners were not included in this survey given the other mechanisms available to gather their feedback.

The 2018 survey was open from July 23rd to August 1st and in total 28 responses were received – a response rate of 47 percent. One reminder (and ‘thank you’) email was sent prior to the original survey close off date and the survey was held open for an extra day. Due to the low response rate of 47 percent, figures in this report show the number of responses rather than a percentage, and results have been aggregated. The responses of ‘very satisfied’ and ‘satisfied’ have been combined into one “satisfied” category. The same approach has also been used throughout the report) for the ‘dissatisfied’ and ‘very dissatisfied’ responses. Appendix One shows the disaggregated responses in tables.
The previous stakeholder survey was undertaken in 2014. No comparisons are made here between the 2014 and 2018 surveys due to differences in methodology, personnel changes in key positions within stakeholder organisations, the smaller number of responses in 2018 and given that these surveys are point in time measures (rather than longitudinal surveys).

3. About the Responding Stakeholders

Of the 28 respondents, 13 self-reported their role as ‘Chief Executive’ with a further 10 being Senior Managers. Of the four elected officials, two were TA councillors, one was from a non-government organisation and one was elected to an industry body.

Table 1: The type of organisation stakeholders work for and their role

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Elected official</th>
<th>Chief Executive</th>
<th>Senior manager</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crown or state owned entity</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Government Department</td>
<td>3</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authority</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Non-governmental organisation</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Total</td>
<td>4</td>
<td>13</td>
<td>10</td>
<td>1</td>
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</table>

Respondents were asked to choose up to three main areas where they and their organisations engaged with council. Figure 1 shows the top three areas were identified as 1) regulatory, 2) resource management planning and strategic planning and policy development.

The ‘Other’ category included “corporate services”, “governance level” and “a number of areas as part of CEEFs” (with CEEF standing for the Chief Executives’ Environment Forum).

Figure 1:

Respondents were also asked to identify the length of time they had served in their current role. Over half of those responding (16) to this question had been in their role from one to five years.
4. Service Performance and Working Relationships

A series of questions were asked around aspects of service performance and stakeholder satisfaction with working relationships. One question focused on a specific area; the level of satisfaction with the opportunities council made available for consultation during the very recent 2018-2028 LTP process. The question asked was "Waikato Regional Council has now finalised the 2018-2028 Long Term Plan. How satisfied are you with the consultation opportunities made available to you through our planning process?" Results are shown in Figure 3 and described following.

The other four questions asked were more of a general nature regarding service performance and working relationships. The questions were:

- How satisfied are you with the quality of service provided by WRC staff?
- How satisfied are you that WRC staff understand your organisation’s priorities and objectives?
- How satisfied are you with the quality of service provided by WRC councillors?
- How satisfied are you that WRC councillors understand your organisation’s priorities and objectives?

Figure 3
Results summary

- “Waikato Regional Council has now finalised the 2018-2028 Long Term Plan. How satisfied are you with the consultation opportunities made available to you through our planning process”?

All 28 respondents answered this question. No respondent reported being dissatisfied with the opportunities for consultation provided through the recent LTP process. Some five respondents choose the ‘not applicable’ or ‘don’t know’ option and the remaining seven people were ‘neutral’ (neither satisfied nor dissatisfied).

- “How satisfied are you with the quality of service provided by WRC staff”?

Of the 27 respondents providing an answer to this question 21 were satisfied with the quality of service provided by council staff, three were neutral and two people were dissatisfied. One respondent chose ‘don’t know’.

- “How satisfied are you that WRC staff understand your organisation’s priorities and objectives”?

Responses here were a little more clustered that in the previous question about the performance of council staff. Again 27 stakeholders answered this question, and the majority (15) were satisfied that staff understand their organisations priorities and objectives. Some four key stakeholders were dissatisfied with eight being neutral. In terms of the focus on opportunities for improvement - of the four ‘dissatisfied’ responses – three were from stakeholders working in local authorities.

- “How satisfied are you with the quality of service provided by WRC councillors”?

Twenty-five stakeholders provided an answer and 13 of those were neutral (neither satisfied nor dissatisfied). Seven in total were satisfied with the remaining five responses split between ‘don’t know (3) and dissatisfied (2).

- “How satisfied are you that WRC councillors understand your organisation’s priorities and objectives”?

Twenty-seven responses were recorded for this question on councillor understanding of the priorities and objectives of respondent’s organisations. In total, ten of these were neutral and eight were satisfied with four choosing ‘don’t know’ and the remaining four were dissatisfied. Again, these are small numbers but in terms of the focus on opportunities for improvement – there was one responding stakeholder from each of; Crown or state owned entity, government department, local authority and non-governmental organisation.

At the end of this section the following question was asked (it included an “other” comment box as well:

- “In what ways could WRC improve its relationship with your organisation”?

The response option of “understanding your needs” was the option chosen by 15 of the 22 stakeholders responding to this survey question (Figure 4). It is interesting to note that in earlier questions the majority of stakeholders were well satisfied with the various aspects of service performance and the quality of interpersonal communications between council and themselves and their organisations. This response of ‘understanding your needs’ could be interpreted as perhaps a
reflection of the continued need for council to remain well-versed of the ever changing context and environment in which key stakeholders operate.

An ‘other’ comment box was provided for this question and three responses were received:
- “Continuing to work with us to find solutions to allow the Waikato region to prosper and meet its environmental objectives”.
- “Be actively supportive rather than obstructive”.
- “Provide funding for hazards (i.e. flood modelling) related to District Plan Review and Regional Plan”.

Figure 4:

In what ways could WRC improve its relationship with your organisation?

<table>
<thead>
<tr>
<th>Understanding your needs</th>
<th>Communication</th>
<th>Style of personal interactions</th>
<th>Being more accessible</th>
<th>Other (please specify)</th>
<th>Staff knowledge</th>
<th>Cost of service</th>
<th>Quality of service</th>
<th>Reliability</th>
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<tr>
<td>15</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

5. Communicating with you and your organisation

Stakeholders were asked four questions in this section, based around their preference for communication, ease of communication, frequency and quality of WRC communications and a question on how well informed they are about WRC activities. The actual questions are shown below.

**Communication preferences**

- Please indicate the way you prefer us to communicate with you.

Twenty-seven respondents choose face-to-face as the most preferred option, although as two respondents noted under ‘Other’ – “all of those and it depends on the situation” and “all of the above. The more we communicate the better”. Another ten respondents prefer email.
Ease of communication
A very high level question about the ease of communication was asked:

- “Overall, is it easy for you to contact the person you need when you need them”?

Of the 27 respondents, 21 said it was ‘easy’ for them to contact the person they needed when required with the remaining seven saying it was neither easy nor difficult. No one responded that this was difficult.

Frequency and quality and being informed on WRC activities
Two questions were asked in this section, including:

- “How satisfied are you with the frequency and quality of our interpersonal communications (e.g. Face-to-face, phone) with you”?

Of the 27 respondents answering this question 21 were satisfied and six were neutral. No key stakeholder reported being dissatisfied with the frequency and quality of communications.

- “How satisfied are you that your organisation is well informed on WRC activities”?

Again, 27 stakeholders provided an answer and 18 were satisfied that they (and their organisation) were well informed on council activities. However, two stakeholders did express dissatisfaction.
6. Overall Results and Performance

There were two parts in the ‘overall results and performance’ section of the survey. The first section made a series of three broad statements to which stakeholders indicated their level of agreement (or disagreement). The statements were as follows:

- “To what extent do you agree or disagree that "WRC works effectively for sustainable management of natural resources"?
- “To what extent do you agree or disagree that "WRC makes decisions that are in the best interests of the Waikato region"?
- “To what extent do you agree or disagree that "WRC is achieving its mission of working with others to build a Waikato that has a healthy environment, a strong economy and vibrant communities"?

Figure 8:

Overall results and performance: Number of stakeholders that agree, feel neutral, disagree or don’t know
Results summary

- “To what extent do you agree or disagree that "WRC works effectively for sustainable management of natural resources"?"

Twenty-six responses were received and of those 16 ‘agreed’ (three of those had ‘strongly agreed’). Six people neither agreed nor disagreed, three chose ‘don’t know’ and one key stakeholder disagreed.

- “To what extent do you agree or disagree that "WRC makes decisions that are in the best interests of the Waikato region"?"

Again, 26 responses were received with 15 in agreement and three disagreeing (though no one chose ‘strongly disagree’). Seven stakeholders were neutral and one opted for ‘don’t know’.

- “To what extent do you agree or disagree that "WRC is achieving its mission of working with others to build a Waikato that has a healthy environment, a strong economy and vibrant communities"?"

In terms of council achieving its overall mission, 12 stakeholders agreed that it was while eight were neutral. There were four stakeholders disagreeing and one of those four ‘strongly disagreed’. The remaining two stakeholders chose the ‘don’t know’ option.

Figure 9 shows the same results but includes the type of organisation stakeholders worked for against the extent that council is achieving its overall mission. This data slice shows that those key stakeholders ‘disagreeing’ that council is achieving its core mission have roles in local authorities (3) and non-government organisations (1). To ensure respondent anonymity breakdown by role is not shown.

Figure 9:  
Council is achieving its mission: Number of stakeholders by organisation type that agree, feel neutral, disagree or don’t know

Ranking of WRC strengths
The second section in “overall results and performance” asked stakeholders to rank five identified areas where council has strengths. This list was to be ranked from 1 to 5. In total 24 people provided responses to this ranking question.
Figure 10 shows the combined ranking scores and Table 1 shows how many times each of the main areas identified were ranked first, second, third etc. Of the five options available ‘collaborative stakeholder relationships’ was ranked top (with Table 1 showing that nine stakeholders ranked this strength as the top strength). Comparatively there is not much between four of the main areas, with ‘financial management’ filling the fifth spot. This does not mean, however, that financial management is not valued as a strength, this is based on comparison with only four other areas in which council works.

**Figure 10:**

**Stakeholder ranking of WRC strengths**

![Graph showing ranking scores for WRC strengths]

**Table 1:**

<table>
<thead>
<tr>
<th></th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
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<td>6</td>
<td>4</td>
<td>2</td>
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<tr>
<td>Scientific and</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>3.35</td>
</tr>
<tr>
<td>technical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expertise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iwi partnerships</td>
<td>4</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>3.27</td>
</tr>
<tr>
<td>Evidence based</td>
<td>2</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>3.09</td>
</tr>
<tr>
<td>decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial management</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>12</td>
<td>1.95</td>
</tr>
</tbody>
</table>

7. **Final Stakeholder Comments**

The survey concluded with a final comments box for respondents to detail anything else they wanted to say. The question was “Are there are any other comments you would like to make about our performance, communications or relationships with stakeholders (or anything else)”?

Four comments were made as follows:

"Good staff knowledge on key WRC policy. Would be good to have more regular developer interface given the need for better collaborative sustainable development goals".

"We have a good relationship particularly at staff level. Our comments are intended to provide honest feedback to make things even better".

"WRC needs to be more efficient with use of rates in order to focus on the key priorities around the Waikato Region. This may mean pushing back against central govt to either reduce responsibilities or gain more funding".

"There don’t seem to be any structured ways for industry to interact with WRC senior leadership unless by one on one meets".
8. Appendix One: Results Tables

Service performance and working relationships (Figure 3)

<table>
<thead>
<tr>
<th></th>
<th>LTP consultation opportunities</th>
<th>Quality of services from staff</th>
<th>Staff understand your priorities</th>
<th>Quality of services from councillors</th>
<th>Crs understand your priorities, objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Satisfied</td>
<td>10</td>
<td>15</td>
<td>11</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Neutral</td>
<td>7</td>
<td>3</td>
<td>8</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>NA/Don't know</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>27</td>
<td>27</td>
<td>25</td>
<td>26</td>
</tr>
</tbody>
</table>

Ease of contacting the needed person in WRC (Figure 6)

<table>
<thead>
<tr>
<th></th>
<th>Is it easy to contact the person you need when you need them?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very easy</td>
<td>6</td>
</tr>
<tr>
<td>Easy</td>
<td>15</td>
</tr>
<tr>
<td>Neutral</td>
<td>6</td>
</tr>
<tr>
<td>Difficult</td>
<td></td>
</tr>
<tr>
<td>Very difficult</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
</tr>
</tbody>
</table>

Communicating with you and your organisation (Figure 7)

<table>
<thead>
<tr>
<th></th>
<th>Frequency &amp; quality of interpersonal comms</th>
<th>Your organisation is well informed on our activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Satisfied</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Neutral</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA/Don't know</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

Overall results and performance (Figure 8)

<table>
<thead>
<tr>
<th></th>
<th>WRC works effectively for sustainable management of natural resources</th>
<th>WRC makes decisions that are in the best interests of the Waikato region</th>
<th>WRC is achieving its mission of working with others to build a Waikato that has a healthy environment, a strong economy and vibrant communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Neutral</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td></td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>NA/Don't know</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>26</td>
<td>26</td>
</tr>
</tbody>
</table>
Report to Audit and Risk Sub-committee

Date: 25 February 2019
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 Sub-committee with an update of the work areas currently underway to manage the risk associated with the flood protection assets managed by the Waikato Regional Council. This report includes:
   a. Progress against recommendations from the Asset Management Review.
   b. An update regarding the development of the Regional Asset Management Plan (recently adopted by the Integrated Catchment Management Committee).
   c. Management comments on recommendations from New Capital Works Project Life-cycle Review.
   d. An update on the flood communications campaign.
   e. An overview of the scheme review process (including a recent example).

Executive summary
2. Council is continuing to address the recommendations made in 2017 to lift the level of asset management maturity, particularly now that two new capabilities (reliability engineering and maintenance planning) have been established in the Asset Management Team and are now working closely with operations teams on being smarter and more effective at delivering our levels of service. Also in support of this lift in the maturity is the recent adoption of the Regional Asset Management Plan, which not only brings together previously distributed information into one place, but also represents a significant lift in the quality of that information.

3. Council also has a number of areas of work underway to address the recommendations made in 2018 regarding the Capital New Works Life-Cycle, many of which relate to efforts in the broader project management space that relate to risk management, business case development, financial management and good governance. However, one area that will require the attention of Council during the development of the next Long Term Plan is a mechanism for funding the initiation of new capital works (i.e. when Council is approached by a community to establish new flood protection infrastructure).

4. Finally, while it is important that Council understand and manage the risks associated with its flood protection and land drainage infrastructure, it is also important that the community understands these assets and the levels of service provided. To improve this understanding, Council will be commencing a communications campaign in April 2019, the details of which are outlined in Attachment 2.

Staff Recommendation:
That the report “Waikato Regional Council flood protection asset risk management” (Doc #13794296 dated 25 February 2019) be received.
Progress against recommendations from the Asset Management Review

5. In 2017, the asset management maturity of Council was reviewed, along with the identification of future maturity targets. The Committee was originally provided with this full audit report during their March 2018 meeting.

6. The diagram (over page) provides an overview of the findings of that review, including a comparison of the 2014 and 2017 assessments, and targets identified by Council.

7. Also provided alongside each area assessed is a summary of the actions that were recommended to lift Council’s asset management maturity, noting whether these are complete, on track, have a new timeframe, or are yet to commence. A full update of these actions is provided in Attachment 1 of this report.
ON TRACK Transition to new AM functions into broader ICM services
ON TRACK Align AM policy to RAMP

ON TRACK Review AM plans for managing critical assets.
NEW TIMEFRAME Implement PMF for all major capital, technical, maintenance and investigatory

COMPLETED Review demand and hazard measures that determine criticality.
COMPLETED Review risk matrices and guidelines.
ON TRACK Review how asset condition and asset performance is measured.

NEW TIMEFRAME Review qualification, experience and key competence areas required to reach target AM maturity.

ON TRACK Review asset failures to determine effectiveness of maintenance and renewal programme.
ON TRACK Apply demand forecasting to scheme areas with regard to settlements, roads, rail, wetlands and other lifeline utilities.

ON TRACK Explore methods to allow better maintenance planning and scheduling of works.
ON TRACK Review opportunities to systematise or streamline information management.

ON TRACK Implementation of new asset management initiatives to reach target AM maturity.
ON TRACK Implementation of actions to improve AM maturity related to governance, reporting, LoS, performance measurement, demand forecasting, lifecycle management, BCM and CI.
Regional Asset Management Plan
8. The Regional Asset Management Plan, which has involved the coordination of asset management information from multiple zone-based plans, along with a general improvement on that information, was presented to the Integrated Catchment Management Committee on 13 February 2019 and adopted.

9. A copy of this plan will be available to the Sub-committee through Council’s website.

KPMG New Capital Works Project Life-cycle Review
10. KPMG were engaged to complete a review of Council’s initiation of new capital works projects. This work was completed during July/August 2018, and was presented to the Sub-committee at their November 2018 meeting, including a range of recommendations that can be broadly categories as relating to either:

- Project initiation (processes and guidance, including governance and gating).
- The funding of project initiation.
- Costing methodologies.
- Risk management and mitigation.

11. The following table provides an overview of the recommendations made, and corresponding management comments.
<table>
<thead>
<tr>
<th>Section</th>
<th>Recommendation</th>
<th>Management comment</th>
</tr>
</thead>
</table>
| 4.1 Investment process | **PROJECT MANAGEMENT**  
a. Introduction and definition of a concept stage in the project life-cycle (and associated modification of the initiation stage), to provide a construct that supports an initial, investigative stage. This should produce an equivalent to an “indicative business case” (per the “Better Business Case” framework), prior to the subsequent production of a full business case (and a full evaluation of options for project execution).  
b. Improved definition of the tasks associated with the project initiation and concept stages, and associated accountabilities, with associated guidance and education of project managers / sponsors (to include stakeholder management).  
c. Further improvements to the definition of the project ‘gating’ process, to improve rigour, and support more informed decision-making, and associated improvements to governance. | Council’s Enterprise Project Management Office is currently reviewing the initiation stage of the project life cycle as part of a broader work programme to review, refresh and refine project management tools, guidance and procedures. This will include the addition of leading statements in project initiation gating documents, along with an acknowledgement of the level of uncertainty associated with the project. This review will be supported by the necessary training at both a governance and a project manager level (refer further details below). |
| 4.1 Investment process | **BUSINESS CASE DEVELOPMENT**  
a. Enhance the level of detail and definition in the written guidance available for production of business cases for new capital works. There may also be a need for further education to business owner and sponsor on these, and related matters.  
b. Ensure that the guidance provided for business-case development is aligned with the initiation processes that are defined in the project management framework, and that both are integrated with specific guidance / policy on how the project initiation process is to incorporate ‘stage-gates’ for approval, and how that approval is to be managed through an appropriate governance mechanism. | In parallel to the above project management and governance improvements, Council’s Enterprise Project Management Office and Corporate Planning Team will undertake a review of the business case model utilised by Council (currently based on the Better Business Case) to determine the appropriate pathways for initiatives from concept and beyond. This will include new guidance developed to support authors. |
<table>
<thead>
<tr>
<th>Section</th>
<th>Recommendation</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Investment process</td>
<td><strong>CAPITAL PROJECT COSTINGS</strong></td>
<td>With specific regard to ICM capital projects, a bottom up budget template is available (since 2016) to support the development of project related costs. It is also now required practice to demonstrate how project costs have been derived, along with the provision of necessary contingency amounts depending on the stage of the project and the risks involved. Further to this, Council-wide “finance for projects” training has commenced and will be completed by Q3 of the current financial year.</td>
</tr>
<tr>
<td>4.2 Financial management process</td>
<td><strong>PROJECT INITIATION FUNDING</strong></td>
<td>Council has (as part of the 2018/28 Long Term Plan) introduced a separate operational budget ($200,000 per year) to fund the scoping, investigation and design of potential projects related to the renewal of existing assets. This up-front operational funding approach allows for the necessary rigor to be used to test the need for asset renewal projects without the need to commit capital funding (which needs to be subsequently recovered, regardless if a project progresses to the creation of an asset). However, while the above is sufficient for the renewal of existing assets, it does not extend to instances where Council is asked to consider establishing new assets (as is being recommended, and often fall outside of establish schemes). Therefore, options to resolve this issue will be identified for Council’s consideration during the development of the next Long Term Plan.</td>
</tr>
<tr>
<td>4.5 Capital project performance management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Recommendation</td>
<td>Management comment</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>4.4 Risk management process</td>
<td>RISK MANAGEMENT TRAINING</td>
<td>Risk management training has been scheduled for project managers, to be completed by Q3 of the current financial year. This training will be supported by the new Strategic Risk Advisor role.</td>
</tr>
<tr>
<td></td>
<td>a. Improved guidance and education of project managers</td>
<td>This follows previously delivered training to the Executive Leadership Team and Integrated Catchment management Senior Leadership Team, which focused on project governance.</td>
</tr>
<tr>
<td></td>
<td>with respect to risk-management in capital projects,</td>
<td>Lastly, further governance training is scheduled for Q3 of the current financial year to support the changes to the initiation gates (refer above), and in parallel to the training of project managers, this is expected to improve the understanding of accountability and decision making roles within a project.</td>
</tr>
<tr>
<td></td>
<td>and approaches to risk mitigation.</td>
<td></td>
</tr>
</tbody>
</table>
Flood protection scheme reviews

12. Council periodically reviews existing flood protection schemes. This is an important element of the work that Council undertakes to understand the risk associated with these existing schemes, particularly those risks related to the potential for scheme assumptions to change over time (e.g. the environmental assumptions that are used as a basis for scheme design).

13. The following is an excerpt from the Regional Asset Management Plan providing an overview of these reviews.

7.2 Scheme Reviews

Scheme Reviews look at the ability of the flood protection scheme to deliver the level of protection agreed with the community. They do not look at the risk to the community if the scheme fails or the costs involved with maintaining that level of defence. If required these investigations are started as the next step after a scheme review has been signed off as complete.

Flood protection scheme reviews are performed for several reasons: at the request of the committee, when there has been a significant weather event that may have changed the morphological properties of the area, or at a routine frequency to update weather projections and check levels of service.

Scheme reviews rely on accurate LIDAR data, stopbank crest levels surveys, and historical rainfall information.

14. A further excerpt from the Regional Asset Management Plan is provided below, which provides additional information, along with an overview of the schedule of reviews.
15. The importance of undertaking these reviews was recently demonstrated by the review of the Piako River Scheme, which is one of three major flood protection schemes in the Waikato Region (alongside the Lower Waikato River and Waihou River schemes).
16. A crucial component of the Piako River Scheme is a series of ponding areas located within and adjacent to the Kopuatai Wetland. These ponding areas act collectively and sequentially to mitigate increasing flows in the Piako River, thereby reducing downstream flood protection needs (including for the township of Ngatea).

17. Understanding how the hydraulic behaviour of these ponding areas, both individually and as a collective, is dependent on the level of information available to describe both the physical environment (e.g. ground levels) and the hydrological environment (e.g. the magnitude of flood flows that can be expected). Given that the initial scheme design was undertaken in the 1960’s and 1970’s, the scheme review was an opportunity to utilise a significant improvement in information, including detailed topographic
information that has only recently become available through the use of LiDAR, and observations made during flood events (including the significant March/April 2017 event).

18. The recommendations from the review of the Piako River Scheme (which have subsequently been adopted by Council) covered a range of issues that all contribute to ensuring that the agreed level of service continues to be provided. As an example, below is an excerpt from the report that was prepared for the Waikou-Piako Catchment Committee in March 2018, seeking the endorsement of the scheme review findings.

**Conclusion**

17. Performance of the Piako River Scheme main tidal zone stopbanks is generally acceptable under the current climate scenario, although 9% (9.7 km) are currently graded as being 4 or 5. These elements are the only that require topping up.

18. In general, adequate capacity is available for the Awaiti Canal stopbanks to provide protection against a 3.0m 100 year ARI high tide event with 0.5m freeboard, except for a 0.78 km section on the left bank.

19. The River Zone stopbanks currently have 1.6 km (16%) graded as being 4 or 5. The Kerepehi Block No 2 Cutoff stopbank is the highest priority as it overtopped for a significant period during the April 2017 flood event.

20. In general the ponding zone spillways need to be raised at low points to prevent frequent overtopping. An exercise to prioritise spillway upgrades will be completed to provide a forward works programme.

21. The climate change scenario results in a significant increase in the lengths of stopbank which fail to meet a performance grade of 4 or 5. This is due to the effect of increases in tide levels in the lower reaches, and to the effect of increased discharges in the upper and middle catchments. The review does not include implementation or estimates of costing related to future climate change. This will be a consideration for future reviews.

**Flood communications campaign**

19. Following the various flood events that impacted the Waikato Region in March and April 2017, along with the Edgecumbe flood event that occurred during the same period, it was observed that Council needed to raise community awareness and understanding of its flood protection and land drainage infrastructure.

20. Attached for the information of the Sub-committee (refer Attachment 2) is an overview of the communications campaign that was prepared for the Integrated Catchment Management Committee, seeking feedback on the scope and approach being proposed.

21. This campaign will commence in April 2019, following additional engagement with each catchment committee, to ensure that the scope and approach is supported by those who Council has engaged to provide community-based advice on the suite of integrated catchment management activities.

22. Included in the campaign will be two new online initiatives aimed at making information more accessible to the community. The first initiative was launched last year and is known as “Flood Room Live”. This is a webpage that is livened leading up to and during a flood event. The objective of this initiative is to be a one-stop-shop for timely and accurate information (e.g. Council derived information such as river levels and rainfall, along with links to external information, such as, weather forecasts, road closures and CDEM).

23. The second initiative is currently in development, and is known as Councils “Online Hazards Portal”. This web-based mapping application aims to improve the accessibility of natural hazard information held by Council, with a particular focus on enabling property-specific information to be obtained to assist with
various decision making processes (e.g. property purchase, building design and insurance). This initiative has been modelled on examples from other councils (e.g. Bay of Plenty and Hawkes Bay regions), and is expected to be completed by the end of the 2018/2019 financial year.

24. Both of these initiatives will be demonstrated to the Sub-committee during the meeting.

Conclusion

25. A number of initiatives, including those identified through recent audits, are incorporated into work programmes within the ICM Directorate, and are currently being progressed. As a consequence, we expect to see a lift in the overall maturity of Council’s approach to asset management.

26. These initiatives are underpinned by Council’s newly adopted Regional Asset Management Plan, which brings together what was previously spread across multiple documents into one place. This plan also reflects a lift in Council’s asset management maturity, with an improvement in the information that is provided.

27. Council continues to assess and manage the risks to existing flood protection infrastructure and recalibrates asset assumptions using the most up to date information available. Along with day-to-day improvements, this is achieved by a programme of scheme reviews, which periodically test scheme assumptions and parameters to ensure that the agreed level of service can continue to be delivered.

28. Finally, in addition to Council understanding its assets and managing them well, it is also important that the wider community understand their local flood protection and land drainage assets, along with the levels of service that have been agreed to. This awareness and understanding will be lifted with the roll out of a communications campaign in April 2019.

Attachments

1. Overview of actions from Asset Management Review
2. Copy of report to the Integrated Catchment Management Committee (Flood Campaign)
### Attachment 1: Overview of actions from Asset Management Review

<table>
<thead>
<tr>
<th>No.</th>
<th>Outstanding Actions</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></td>
<td></td>
<td></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>1/07/2019</td>
<td>On track</td>
<td>Key Integrated Catchment Management (ICM) Section Managers and Team Leads meet monthly as a control group to monitor and manage progress against agreed outcomes. Have plan in place, and reporting to ICM Steering Group on progress.</td>
</tr>
<tr>
<td>1.2</td>
<td>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.</td>
<td>1/07/2019</td>
<td>On track</td>
<td>Improvement plan signed off by ICM Steering Group. Now in implementation phase.</td>
</tr>
<tr>
<td>2</td>
<td>Asset Management Plan and Policy Alignment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Establish a transition plan for integration of the ICM function with the Asset Management (AM) function.</td>
<td>1/07/2019</td>
<td>On track</td>
<td>New roles working with Operations team, and change management is occurring on &quot;how&quot; we all work together.</td>
</tr>
<tr>
<td>2.2</td>
<td>Resolve the areas of misalignment in the AM policy and Regional Asset Management Plan (RAMP).</td>
<td>1/05/2019</td>
<td>On track</td>
<td>Draft completed, now needs to go through appropriate channels for signoff and republication.</td>
</tr>
<tr>
<td>3</td>
<td>Demand Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Apply demand forecasting to each scheme areas to understand their effect on settlements, roads, rails, wetlands and other life line utilities.</td>
<td>1/09/2019</td>
<td>On track</td>
<td>Review on the criticality of the areas protected by our flood protection areas is being scoped.</td>
</tr>
<tr>
<td>4</td>
<td>Asset Data, Condition Assessment and Risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<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>1/08/2019</td>
<td>Completed</td>
<td>Reliability Engineer started this work, and has reviewed current criticality matrix and its application. Is formulating view on what needs to change</td>
</tr>
<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>1/03/2019</td>
<td>Completed</td>
<td>Reliability Engineer completed checks that risk matrix can be applied effectively to our flood protection and drainage assets.</td>
</tr>
<tr>
<td>4.3</td>
<td>Review how asset condition and asset performance is measured for key asset types.</td>
<td>1/05/2019</td>
<td>On track</td>
<td>This work has started, will be progressing by the Reliability Engineer.</td>
</tr>
</tbody>
</table>
### Capital Investment Decision Making

#### 5.2 Prioritisation
Prioritisation be applied to the asset portfolio by site and/or major asset category to identify the investment priority of all locations and assets.

| 1/06/2019 | On track |
|---------------------------------------------------|

A prioritisation process was tested as part of 2018/28 Long Term Plan (LTP), and is currently being further refined to support next year’s capital work programme planning.

#### 5.3 Prioritisation Results
The prioritisation results, and potential intervention options for any given year are maintained as a record of process compliance.

| 1/02/2019 | Completed |
|-----------------------------------------------|

Confirm these records are being kept and stored in “Discover”.

#### 5.4 Asset Failure Rates
Review Asset Failure Rates, to determine if maintenance is effective and if Capital Renewal timings are optimal.

| 1/07/2019 | On track |
|---------------------------------------------------|

Work is underway on pump stations, with the recently recruited Reliability Engineer picking up this task. Current priority is the rationale for overhauling pumps and motors, and what change processes are necessary to improve decision making.

### Asset Management Teams

#### 7.1 Review Qualification
Review qualification, experience and key competence areas needed for different roles within ICM to ensure intermediate AM maturity level can be reached and maintained.

| 1/07/2019 | New timeframe |
|-----------------------------------------------|

Partially complete with new LTP roles, however further consideration required due to Project Reboot (new system and new processes). Has been reprioritised to the 2nd half of the financial year, to allow the new business processes to be developed, after which we can then determine what competencies are needed to ensure work occurs smoothly.

### Asset Management Plans

#### 8.1 AM Plans
Review AM plans for managing critical assets – dams, floodgates, pumpstations, weirs, and stopbanks

| 1/07/2020 | On track |
|---------------------------------------------------|

Work underway consistent with the Regional Asset Management Plan, with a particular focus currently on pump stations.

### Information Systems

#### 9.1 Maintenance Planning
Explore methods to allow better maintenance planning and scheduling of works, to capture works occurring, time and cost of works, and can future forecast needs of each scheme.

| 1/10/2018 | Completed |
|-----------------------------------------------|

Maintenance Planner is embedding these practices into operational processes.

#### 9.2 Systemise
Review opportunities to systemise or streamline the update of project information into Conquest, Oracle, and Document Library.

| 1/01/2020 | On track |
|---------------------------------------------------|

Areas where this needs to occur have started to be identified, running parallel with Project Reboot planning.
<table>
<thead>
<tr>
<th></th>
<th>Service Delivery Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1</td>
<td>Implement using PMO principles for all major capital, technical, maintenance, and investigatory projects within ICM.</td>
</tr>
</tbody>
</table>
Attachment 2: Copy of report to the Integrated Catchment Management Committee (Flood Campaign)

Report to Integrated Catchment Management

**Date:** 21 January 2019

**Author:** Julie Beaulill – Senior Advisor, Special Projects

**Authoriser:** Keri Neilson – Acting Director, Integrated Catchment Management

**Subject:** Flood Campaign

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

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**Purpose**
1. To provide the Committee with an overview of the proposed communications campaign in relation to Council’s flood protection and land drainage schemes.

**Executive Summary**
2. There is a need to raise community awareness and understanding of our flood protection and land drainage schemes. A communications campaign is being developed for launch in April 2019 which will culminate at the National Agricultural Fieldays in June. A presentation on the campaign will be provided at the Committee meeting and feedback on any gaps in the proposed approach sought.

**Staff Recommendation:**
That the report “Flood Campaign” (Doc #13672264 dated 21 January 2019) be received.

**Background**
3. In response to recent flood events and instances where flood protection assets have been misused, and levels of service tested, Waikato Regional Council is preparing a flood protection campaign. The campaign will be launched in April 2019 and run through to the National Agricultural Fieldays in mid-June.

4. The campaign is being driven by the Council Audit and Risk Sub-Committee’s concern that community awareness needs to be raised due to issues such as homes being built against stopbanks, cropping on stopbanks, and some misunderstandings around levels of service provided. This is supported by similar feedback from the Integrated Catchment Management Committee and zone catchment committees.

5. The campaign will be funded by a combination of general and targeted rates, with zones contributing a share based on the value of their flood protection assets.

6. Feedback, particularly in relation to any gaps in the general proposal outlined below which might be picked up now or in a follow up campaign is sought from the Committee.

7. Memos are also being sent to catchment committees seeking feedback on the campaign proposal, and presentations will be made on the final campaign structure and roll out at the Catchment Committee meeting round in February/March.

Doc #13672264
issue
8. There is a need to raise community awareness and understanding of our flood protection and land drainage schemes. It is prudent that this happen ahead of the next winter season.

Proposal
9. Flood protection and land drainage is one of Council’s biggest cost drivers and is only increasing due to many assets reaching the end of their life, climate change and urbanisation. It is therefore intended the campaign focus on the value communities get from these schemes, how the rates they pay contribute to them and what Council’s role in a flood event is. The campaign objectives are to:
   a. Define what flood protection and land drainage is in people’s minds.
   b. Increase awareness around what Waikato Regional Council does in this space.
   c. Increase engagement, in order to encourage people to help maintain assets correctly, and help guide decisions when it comes to flood protection needs.

10. The key challenges to be met in this campaign are:
    • Flood protection and land drainage is generally a ‘low interest’ and ‘low knowledge’ subject matter.
    • Most people don’t know what we do when it comes to flood protection and land drainage.
    • Communities want flood protection and land drainage but may not want to pay for it.
    • Getting people to understand that flood protection and land drainage are our collective responsibility and that we’re all in it together.

11. The target audiences for the campaign are identified as follows:
    • Primary – Waikou-Taiao, Lower Waikato
    • Secondary – Coromandel, Taupo
    • Tertiary – all ratepayers

12. The content for communications will be drawn from existing technical information and interviews with key people and stakeholders (e.g. IRC/ICM/RSC Chairs, Catchment Committee Chairs where there are schemes, landowners and staff who have experienced flood events, etc). Liaison with key chairs has already taken place and the compilation of content is underway in order to meet the April launch timeframe. There are a range of tools which will be utilised for the campaign and these are listed below:
    • WRC website, Facebook, Instagram and Twitter.
    • Print ads in local newspapers in target areas and farming magazines.
    • Area-targeted digital ad placements.
    • Direct mail to landowners and community groups.
    • Billboards at key sites.
    • Open days (one in Lower Waikato and one in Waikou-Taiao).

Assessment of Significance
13. 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
14. A communications campaign will be launched in April this year for the purpose of raising awareness about the value communities get from flood protection and land drainage schemes, how the rates they pay contribute to them and what Council’s role in a flood event is. The campaign will address the issues that flood protection and land drainage assets are at times being misused, and often misunderstood. It will focus on the zones that contain flood protection and land drainage schemes, being Waikou-Taiao, Lower Waikato, Coromandel and Taupo, but will also have a region-wide reach.
Report to Audit and Risk Committee February 2019

Date: 11 February 2019
Author: Janine Becker, Chief Financial Officer
Authoriser: Janine Becker, Chief Financial Officer
Subject: Insurance update March 2019
Section: A (Committee has delegated authority to make decision)

Purpose
1. To provide the committee with an update on activities within the council’s insurance programme, including a summary of the outcome from the 2018 insurance renewal as well as the findings from a review of the council’s disaster recovery provisions.

Executive Summary
2. At the committee’s last meeting, staff presented on the projected outcome from the 2018 insurance renewal. The renewal process highlighted tightening insurance markets and increasing premiums. Finalisation of the insurance programme shows that total costs (excluding the impact of new policy covers purchase this year) have increased by $153,000 (30%).

3. A draft report on the review of the council’s risk financing strategy has been received. Based on current information, this indicates that the council has sufficient reserves in place to provide a high level of confidence that it can sustainably fund future flood losses. However the report has also identified areas for potential improvement which will enable this information to be used to evaluate a range of insurance/reserving options.

Staff Recommendation:
That the report “Insurance update March 2019” (Doc #13779620 dated 11 February 2019) be received.

Insurance renewal outcome
4. A summary comparison of the council’s insurance policy is shown in the table below:

<table>
<thead>
<tr>
<th>Class of Business</th>
<th>Total Declared Values</th>
<th>Limit of Indemnity</th>
<th>Last Year</th>
<th>This Year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material Damage (excl. Fire)</td>
<td>$96,354,790</td>
<td>$300,000,000</td>
<td>$54,998</td>
<td>$58,011</td>
<td>$3,013</td>
</tr>
<tr>
<td>Material Damage (Fire)</td>
<td>$96,354,790</td>
<td>$45,000,000</td>
<td>$13,750</td>
<td>$19,337</td>
<td>$5,587</td>
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<tr>
<td>Business Interruption</td>
<td>$3,661,111</td>
<td>As Declared</td>
<td>$1,190</td>
<td>$3,011</td>
<td>$1,821</td>
</tr>
<tr>
<td>Excess Layer MDBI</td>
<td>-</td>
<td>$150,000,000</td>
<td>$1,757</td>
<td>$2,040</td>
<td>$273</td>
</tr>
<tr>
<td>Infrastructure Cover</td>
<td>$591,061,950</td>
<td>$80,000,000</td>
<td>$162,583</td>
<td>$229,821</td>
<td>$67,238</td>
</tr>
<tr>
<td>Infrastructure Cover – Excess Layer</td>
<td>$591,061,950</td>
<td>$80,000,000</td>
<td>$78,229</td>
<td>$117,702</td>
<td>$39,473</td>
</tr>
<tr>
<td>Commercial Motor</td>
<td>$4,631,159</td>
<td>$10,000,000</td>
<td>$104,750</td>
<td>$117,864</td>
<td>$13,114</td>
</tr>
<tr>
<td>Employers Liability</td>
<td>-</td>
<td>$2,000,000</td>
<td>$1,056</td>
<td>$1,056</td>
<td>-</td>
</tr>
</tbody>
</table>

Doc # 13779620
Disaster recovery reserves review

5. As previously noted for the committee, a review of the disaster recovery reserve provisions was commissioned through Aon (NZ) Ltd in conjunction with Tonkin+Taylor. The purpose of this review was to enable the council to optimise spending on risk mitigation strategies, such as contributions to reserves and insurance premiums.

6. The review considers the current risk financing strategy employed by the council, and illustrated below:

![Risk Financing Strategy Diagram]

7. The framework used for the review is illustrated below:

![Framework Diagram]

8. A draft report from the review to date has been received. This identifies that, based on current annual contributions to Zone disaster recovery reserves ($196,000 and balance of $3.133 million), the council has an 85 per cent confidence level of being able to sustainably fund future flood losses that are expected to
be drawn down from this reserve. To achieve a 95 per cent confidence rating, the annual contribution to the reserve would need to increase to $250,000 per annum.

9. Modelling in relation to the Regional Disaster Recovery Reserve indicates that, in order to achieve 90 per cent confidence of being able to sustainably funds expected future flood losses, the annual contribution to the reserve would need to be $60,000 per annum (current contribution of $231,000 and balance of $4.209 million)

10. The report does, however, identify a range of potential areas for improvement that will increase the council’s confidence in the results from the work done, in particular in relation to the underlying flood damage model. The current flood damage model was developed in 2013. Areas for improvement noted are:
   a. Updating asset values within the model
   b. Review flood risks on a zone-by-zone basis. The model currently extrapolates results from the Waikato-Piako scheme and applies these regionally. The zonal modelling is important in order to recognise differing levels of service and topography between the schemes
   c. Review how natural asset values are incorporated into the damage models

11. The model developed for this review will accommodate any changes to the underlying flood modelling as a result of actions against the improvement points noted above.

12. Once these improvements are made, the loss projection models can be adjusted and subsequently used to evaluate a range of insurance and / or reserving scenarios. This will include consideration of the allocation of funds between the regional and zone disaster recovery reserves, or potentially combining these into a single reserve.

13. The financial modelling that will result can also be used to evaluate physical risk mitigations, such as engineering solutions to strengthen certain aspects of the flood protection scheme.