

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Committee Room 1 & 2, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 15 MARCH 2023** commencing at **9.30am**.

1. **OPENING KARAKIA**
2. **APOLOGIES AND LEAVE OF ABSENCE**
3. **CONFIRMATION OF STATUS OF AGENDA**
Representatives from Audit New Zealand will be in attendance.
4. **DISCLOSURES OF INTEREST**
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8. REPORTS FOR INFORMATION

The following reports will be taken as read:

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9. EXCLUSION OF THE PUBLIC*

GJ Ion
CHIEF EXECUTIVE

TERMS OF REFERENCE AND DELEGATION

Reports to:	The Council
Chairperson:	External appointee – Mr Peter Stubbs
Membership:	Deputy Chairperson – Cr Janet Gibb Mayor Jacqui Church (<i>ex officio</i>) Deputy Mayor Carolyn Eyre Cr Marlene Raumati Cr Peter Thomson
Meeting frequency:	As required – no less than four times each year.
Quorum:	Four members

Purpose:

The Audit and Risk Committee is responsible for:

1. Considering and reviewing the adequacy of Council's risk management and internal control frameworks.
2. Monitoring and seeking assurance on the functioning of Council's risk management and internal control frameworks (including systems and processes).
3. Managing the independent auditor (internal and external) expectations and relationships.

Terms of Reference:

To achieve the above purpose the Audit and Risk Committee will:

1. Annually review council's risk management framework to ensure it is effective
2. Ensure the strategic risk register is current and relevant
3. Ensure Council has an effective internal control framework to identify and manage business risk (at the risk portfolio level)
4. Review Council's insurance programme for adequacy of risk mitigation
5. Review the effectiveness of Council's business continuity and disaster recovery planning and testing arrangements
6. Ensure Council has an effective framework in place to prevent, detect and investigate fraud-related issues
7. Ensure Council has an effective Health and Safety/Zero Harm framework in place to prevent, detect and investigate safety-related issues
8. Review the internal audit framework to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place
9. Approve the annual internal and external audit programme and related plans
10. Consider Council's annual report from a risk perspective, and subject to audit clearance, make recommendations to Council regarding adoption
11. Review audit reports (internal and external) and monitor management's implementation of audit recommendations
12. Keep Council informed on significant risk or audit issues raised and proposed actions
13. Meet regularly with independent auditors to gain assurance on the risk frameworks and the management of them

The Committee is delegated the following recommendatory powers:

1. The committee has no decision-making powers.
2. The committee may make recommendations to the Council and/or the Chief Executive
3. The committee may conduct and monitor special investigations in accordance with Council policy and approved budget, including engaging expert assistance, on matters within its terms of reference.

Administrative arrangements:

Meetings

The committee will meet at least four times each year. An extraordinary meeting may be called to review the annual report. The chairperson is required to call a meeting if requested to do so by the Council, or the Chief Executive.

A meeting plan, including dates and agenda items, will be agreed by the committee each year. The meeting plan will cover all the committee's responsibilities as detailed in these Terms of Reference.

For clarity, the Council's Standing Orders and Code of Conduct will apply to committee meetings and members.

Membership

Members are appointed for an initial term of no more than the three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.

The Council appoints external members of the committee; the terms of the appointment are to be recorded in a contract.

Attendance at meetings

Meetings can be held in person, by telephone, or by video conference in accordance with Standing Orders.

The Chief Executive, Executive Leadership Team members, and external audit representatives will be invited to attend each meeting, unless requested not to do so by the chairperson of the committee. The committee may also ask other Council employees, or other suitably qualified persons with interest or expertise in special topics, to attend committee meetings or participate for certain agenda items.

The committee will meet separately with both the internal and external auditors at least once a year.

Reporting

The committee will regularly, and at least once a year, report to the Council on its operation and activities during the year.

The report should include:

- a summary of the work the committee performed to fully discharge its responsibilities during the preceding year; and
- a summary of the Waikato District Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable).

The committee may, at any time, report to the Chief Executive or the Council on any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Chief Executive or the Council.

Assessment arrangements

The chairperson of the committee will initiate a review of the performance of the committee at least once every two years and present it to the Council. This will support the committee's philosophy of continuous improvement.

Review of Terms of Reference

The committee will review its Terms of Reference at least once a year. This review will include consultation with the Council.

Any substantive changes to the Terms of Reference will be recommended for approval by the committee to the Council.

To	Audit & Risk Committee
Report title	Confirmation of Minutes
Date:	Tuesday, 7 March 2023
Report Author:	Rosa Leahy, Democracy Advisor
Authorised by:	Gaylene Kanawa, Democracy Manager

1. Purpose of the report

Te Take moo te puurongo

To confirm the minutes for a meeting of Audit & Risk Committee held on Friday, 16 December 2022.

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the minutes for a meeting of the Audit & Risk Committee held on Friday, 16 December 2022 be confirmed as a true and correct record.

3. Attachments

Ngaa taapirihanga

Attachment 1 – A&R Minutes – 16 December 2022

Minutes for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Council Chambers Galileo Street, Ngaruawahia on **FRIDAY, 16 DECEMBER 2022** commencing at **9.30am**.

Present:

Mr P Stubbs (Chairperson)
 Cr Gibb (Deputy Chairperson)
 Her Worship the Mayor, Mrs JA Church
 Deputy Mayor, Cr CA Eyre
 Cr M Raumati
 Cr P Thomson

Attending:

Cr C Beavis
 Cr M Keir
 Cr D Whyte

Mr C Susan, Audit NZ
 Ms K Maccown, Audit NZ

Mr GJ Ion (Chief Executive)
 Mr TG Whittaker (Chief Operating Officer)
 Ms A Diaz (Chief Financial Officer)
 Mr GJ King (Chief Information Officer)
 Ms C Morgan (General Manager, Community Growth)
 Ms S O’Gorman (General Manager, Customer Support)
 Mr C Bailey (Finance Manager)
 Mr K Abbott (Executive Manager, Projects & Innovation)
 Ms K Rhind (Senior Communities & Engagement Advisor)
 Ms K Wellington (Enterprise Project Management Office Manager)
 Ms L Shirley (Zero Harm Manager)
 Mrs GJ Kanawa (Democracy Manager)
 Ms L Shirley (Zero Harm Manager)
 Mr D Tisdall (Risk Advisor)
 Ms A McPhee (Business Resilience Advisor)
 Ms R Leahy (Democracy Advisor)

OPENING KARAKIA

The Chief Operating Officer opened the meeting with a Karakia.

APOLOGIES AND LEAVE OF ABSENCE

There were no apologies.

CONFIRMATION OF STATUS OF AGENDA

Resolved: (Cr Gibb/Cr Eyre)

THAT the agenda for a meeting of the Audit and Risk Committee held on Friday, 16 December 2022 be confirmed:

- a. agrees all items therein be considered in open meeting, with the exception of those items detailed at agenda item 9 which shall be discussed with the public excluded;
- b. in accordance with Standing Order 9.4 the order of business be changed with PEX Item 3.3 [*Committee Time with Audit NZ*] being considered after PEX Item 3.4; and
- c. all reports be received.

CARRIED

A&R2212/01

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CONFIRMATION OF MINUTES

Resolved: (Her Worship the Mayor, JA Church/Mr Stubbs)

THAT the minutes for a meeting of the Audit & Risk Committee held on Thursday, 29 September 2022 be confirmed as a true and correct record.

CARRIED

A&R2212/02

ACTIONS REGISTER

The following report was received [*A&R2212/01 refers*], and the following discussion was held:

- Chief Operating Officer is working with CoLab to put together a regional Audit and Risk forum for February 2023.
- Site visits for key strategic risks will be reintroduced for the Committee in 2023.

ACTION: Register will be updated to remove completed actions and add additional actions resulting from this meeting for report to the next meeting.

REPORTS – FOR DISCUSSION AND/OR DECISION

Chief Financial Officer Report Agenda Item 7.1

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- The two Bills associated with three waters reform (outlined in the report) are open for consultation with submissions closing in February 2023.

Recessionary Items

- The Chief Financial Officer noted the issue of rising home loan rates which could lead to mortgagee sales in 2023.
- *Has the increase in interest rates been factored into what it will cost Council?* Council has some interest rate hedging cover in place to mitigate rising interest rates. Quantifying the risk is currently in progress and will be shared with Council as part of the Annual Plan in February 2023.
- *Has there been a decrease in Resource Consents?* General Manager, Customer Support stated that there is not enough data yet to show a full trend, although we have seen a levelling off, but this data should be available after January 2023.
- The Chief Financial Officer noted that there had been a decline in property sales across the district.
- Issues with a recession may not be seen for Council until the first year of the Long-term Plan. From a rating growth perspective, properties that are being built in the current financial year will determine what the rates look like next year.
- The Council relies heavily on rating income (70 percent of income), which serves well during a crisis. This is compared to some Councils that rely more heavily on fees and user charges for income, which is variable.
- Changes to development contributions and fees associated with building and resource consents will be looked at in the new calendar year.

RISK

Strategic Risk Register and Emerging Risks Agenda Item 7.2

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- The Chairperson noted the value in the graphs produced for Councillors which show the appetite for risk and the reducing residual risk over time.
- A discussion was held on the high-level maturity assessment undertaken. The more a risk is unpacked the more Council learns what can be done to mitigate the risk. As a result, although the trajectory might change to show the risk as being more adverse, this might simply mean more has been learned about the risk itself.

Cyber Security

- The Chief Information Officer stated that 75,000 cyber-attacks and around 3,000 malicious emails are stopped each month.
- Staff and Councillors are required to undertake cyber-security training as part of their induction programme.

Climate Resilience

- A concern was raised about Climate Resilience as a strategic risk. It was noted that the focus should be more on the protection of people and community rather than assets (outcomes).

Trust in Local Government

- The Chairperson observed that, trust in Local Government is perhaps emerging as a strategic risk. This will be traversed as part of the strategic risk review in the new year.

Business Continuity Test

- A Business Continuity test of the VPN system was conducted last week to confirm internal and external resilience. Business Resilience is still maturing in terms of risk management and understanding.
- A concern was raised about the lack of information provided on risks, why they have been left to chance, what is being done to mitigate the risk and what is the cost of doing so. It was noted that the terminology of 'left to chance' is language used as part of a maturity journey rather than it not being managed.

ACTION: Executive Manager, Projects & Innovation to provide material examples of risk management in future committee reports.

Deep Dive Technical Capability

Agenda Item 7.3

The report was received [A&R22/2/01 refers], and the following discussion was held:

- The Chief Information Officer gave an overview of the report and noted that significant progress, improvements, and ongoing work programme is the focus.
- A concern was raised regarding resilience not having been tested previously. In 2016, a disaster recovery site was established in Tuakau and was based on the business requirements at that time. The site had the capability to operate a set of applications Council was reliant on at that time and for up to 25 staff to work there. Testing of that site was conducted but no overall organisational test was done, as the assumption was the Tuakau office would be able to provide the required level of service at that time.

- *When will Council see returns on efficiencies?* The Chief Information Officer noted that efficiencies are being seen now. In the past, 90 per cent of Council documents were paper based, now 60 per cent are handled digitally. The digitisation of services such as dog registrations had an overall impact on improving customer service.
- A discussion on 'cloud strategy' was held. Cloud based infrastructure is being implemented. Both email and the contact centre services will be moving to the cloud early next year which means the data will be moved to a more robust system independent of any risk associated with the Ngaruawahia site.
- It was noted that the section on 'Business Continuity' and the Council's 'Disaster Recovery Plan' in the report was out of date. A test has recently taken place to assess Council's resilience in this space which was successful.
- The Chairperson observed that in 2020 the inherent risk factor was high and in two years the inherent risk factor remained high. The Chief Information Officer stated that significant improvements had been made but the risk in Cyber Security had increased. The proposal for changes to be implemented over the next two years would bring the risk to medium.

ACTION: Chief Information Officer and People and Capability Manager to create a follow-up report for the Committee that will include timelines, measures of progress and updates thereon.

Resolved: (Mr Stubbs/Cr Gibb)

That the Audit and Risk Committee confirms:

- the support of management's residual risk assessment of High (likelihood possible, consequence catastrophic);**
- the support of the continuation of management's plan to reduce the residual risk; and**
- requests regular reports on progress for achieving the move towards medium risk.**

CARRIED

A&R2212/03

Meeting adjourned at 10:35am and resumed at 10:45am.

Risk Management Framework Review
Agenda Item 7.4

The report was received [*A&R2212/01 refers*], and the following discussion was held:

- *Who manages and determines risk management strategies?* The control options are specific to the risk, the person that 'owns' the risk determines which strategies are used and how extreme that risk is. However this is reviewed by the Executive Management Team and subsequently reviewed by governance as part of deep dives.
- *What is a double entry system for checks and balances for delivery?* Risk mitigation is a culture. From a critical risk perspective, verification is important, there are multiple frameworks in place that ensure very few risks in the organisation would pass through only one

person's hands. Risk management is part of normal day to day business, which includes a number of controls.

Waikato District Council Zero Harm Update

Agenda Item 7.5

The report was received [A&R22/2/01 refers], and the following discussion was held:

- The Zero Harm Manager highlighted 'working with animals' as a critical risk. The Zero Harm team were supporting the Animal Control team to implement changes.
- *Were Elected Members involved in workplace violence training?* As part of their inductions Councillors undertook standard Zero Harm training including Tactical Communications and Situational Awareness training.

ACTION: Councillors to provide feedback on Zero Harm inductions to Zero Harm Manager.

- The Zero Harm Manager provided a detailed explanation of the bow tie methodology in risk management for the new members of the Committee.

Capital Project Delivery Update

Agenda Item 7.6

The report was received [A&R22/2/01 refers], and the following discussion was held:

- *Has each project budget been uploaded to the management control system?* This is work in progress but acknowledged is behind schedule. It is a large database, and the work is now expected to be completed by the end of January 2023.
- *What percentage of capital projects will be delivered next year?* This is not able to be quantified yet. Work was being done to forecast ahead for next year and future years. There was currently several procurement activities going ahead, however, there were market constraints that could have an impact on these projects.
- *How is recruitment for the EPMO progressing and how many people are applying for the roles?* There was a good interest in the roles.
- It was noted that regular updates from the EPMO Manager would be reported to the Infrastructure Committee.
- *Is there any progress on accountability and performance strategies?* The EPMO Manager was spending one on one time with new team members to set expectations from the outset.

OTHER

Annual Report

Agenda Item 7.7

The report was received [A&R22/2/01 refers], and the following discussion was held:

- One issue had arisen since the report was produced – the disclosure of greenhouse gas emissions. The Finance Manager noted that Council’s disclosure and reporting of greenhouse gases had been light.
- Audit NZ stated they expected to give verbal clearance for the Annual Report on 16 December 2022, subject to minor changes being included.
- *Did the audit process trigger the work around major capital projects?* Audit NZ highlighted to Council that there was an issue with assets that had not been capitalised and were still considered as works in progress. Good progress has been made in the past year however.
- *What are the depreciation implications of major capital projects?* There was a potential depreciation shortfall of \$600k to \$800k per annum.
- *What is the difference between carrying value and fair value?* Assets are valued every year or three years and valued against their depreciated replacement cost and measured against a pre-value assessment.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee:

- subject to receiving final clearance from Audit New Zealand, the Audit and Risk Committee recommends to Council the adoption of the Annual Report 2021/2022 from a risk perspective; and**
- confirms improvements to the Annual Report process be captured, with progress on actions being reported to the March 2023 Audit & Risk Committee meeting.**

CARRIED

A&R2212/04

REPORTS FOR INFORMATION

Quality & Governance Assurance Update
Agenda Item 8.1

The report was received under [A&R2212/01 refers], and the following discussion was held:

- It was noted that there needed to be a substantive conversation about the function, programme, and capacity of internal audit within the organisation.
- The Chief Operating Officer confirmed that the Executive Leadership Team had supported a business case for an internal auditor. That resource was put on hold to focus on establishing processes to deliver good practice rather than audit and identify known issues.

ACTION: Chief Operating Officer to arrange for the Executive Leadership Team to reassess the business case for an internal auditor.

Updated Future Work Plan

Agenda Item 8.2

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- Under the current meeting schedule for 2023 there would be four meetings and one KPMG workshop held where the strategic risks and risk appetite would be reviewed. It was noted that staff would also book key strategic risk site visits after each meeting.
- The Chief Executive noted that Councillors have obligations of due diligence under the Health and Safety at Work Act 2015. It was important for Councillors to observe health and safety procedures.

ACTION: Staff to liaise with the Chairperson to identify appropriate sites for 2023 and schedule accordingly.

- Discussion was held on whether a CAPEX delivery update should be held at each meeting.

ACTION: CAPEX delivery update will be included in Strategic Risk Register.

ACTION: Staff requested to provide a forecast on the percentage of capital projects they expect to deliver for 2022/2023 and would work with the Chief Operating Officer to determine how this is reported to the Committee.

Cr Raumati left the meeting at 11:35am and returned at 11:40am.

Register of Interests – Elected and Appointed Members

Agenda Item 8.3

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- It was noted the declared interests for Cr Beavis, Cr Whyte, Cr Raumati and Cr Gibb were out of date or incorrectly recorded.
- The Democracy Manager advised three Councillors were still to return their declaration of interests.

ACTION: Democracy Team would update the register ahead of the next Audit and Risk meeting.

EXCLUSION OF THE PUBLIC

Resolved: (Mr Stubbs/Cr Raumati)

THAT the Audit and Risk Committee:

a. exclude the public from the following parts of the proceedings of this 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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number PEX 2 Confirmation of Minutes Item PEX 3.1 Fraud Declaration Item PEX 3.2 Register of Members' Interests – Senior Staff Item PEX 3.3 Audit NZ Time with Committee Item PEX 3.4 Fraud and Corruption Risk Management Update	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

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

Item No.	Section	Interest
Item PEX 3.1 Fraud Declaration	7(2)(a) 7(2)(c)(ii)	To protect the privacy of natural persons, including that of deceased natural persons. To 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— (ii) would be likely otherwise to damage the public interest.

To	Audit and Risk Committee
Report title	Actions Register – March 2023
Date:	Monday, 6 March 2023
Report Author:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report **Te Take moo te puurongo**

To update the Audit and Risk Committee on the actions arising from the previous meeting.

2. Staff recommendations **Tuutohu-aa-kaimahi**

THAT the Audit & Risk Committee receives the Actions Register for March 2023.

3. Attachments **Ngaa taapirihanga**

Attachment 1 – Audit and Risk Committee Actions Register March 2023.

Audit & Risk Committee: Action Register – March 2023

#	Action	Owner	Date Assigned	Date Due	Status
1	Reform – RMA and Three Waters Committee to be kept informed between meetings where early involvement re impact risk is required	Chief Operating Officer	December 2021	Ongoing	Complete. Relevant issues canvassed in the CFO report.
2	Business Resilience deep dive to include learnings from Covid pandemic.	Executive Manager, Projects & Innovation	September 2022	September 2023	Noted. Strategic Risk update to be confirmed in June. Business Resilience deep dive to September meeting.
3	Provide material examples of risk management in action in future Committee reports.	Executive Manager, Projects & Innovation	December 2022	June 2023	Noted. Council's Risk Advisor is involved in the Project Management Framework so will include examples in future reports.
4	Technical Capability Deep Dive risk mitigation update including progress on milestones etc.	CIO and People and Capability Executive.	December 2022	June 2023	Noted. An update will be provided to the June meeting.
5	Councillors to provide feedback on Zero Harm inductions to Zero Harm Manager	Councillors.	December 2022		Noted. Councillor ZH Induction to be undertaken in April. Work Safe Home Safe 'New year' induction sent to Councillors.
6	Chief Operating Officer to arrange for the Executive Leadership Team to reassess the business case for an internal auditor	Chief Operating officer.	December 2022	March 2023	Complete. Revisiting the team roles in the Innovation function has reconfirmed an Internal Audit role. Funding is required and will be raised with Council in Annual Plan process.
7	CAPEX delivery update (including forecast delivery relative to budget) will be included in Strategic Risk Register.	Executive Manager, Projects & Innovation & EPMO Manager	December 2022	March 2023	Complete. A forecast has been provided to the Infrastructure Committee of Council. The A&RC agenda references risk regarding Capex Delivery.
8	Democracy Team to ensure the register of interests remains current.	Democracy Manager	December 2022	March 2023.	Complete. Register updated for March meeting.

To	Audit & Risk Committee
Report title	Chief Financial Officer Report
Date:	15 March 2023
Report Author:	Alison Diaz, CFO

1. Purpose of the report

Te Take moo te puurongo

This report aims to keep the Audit & Risk Committee abreast of risks and issues that could impact council and its stakeholders from a financial perspective.

2. Executive summary

Whakaraapopotanga matua

Three Waters Reform update

The Nation Transition Unit (NTU) leading the three waters reform programme, have been workshopping the debt settlement process with Councils over the past month. Our discussion with the NTU is scheduled for the 14 March, allowing a verbal update to the March Committee meeting.

There is a level of concern in the sector currently around the repayment of debt proposal, both from a timeframe perspective and the impact on credit ratings for local authorities. Debt and related interest rate derivatives are not able to be transferred to the new entities, however, raising debt to cover the entire obligation on day one of operations is not a viable option for the new entities. Councils within the entity B catchment are working collaboratively to assess alternative solutions for discussion with the NTU.

The National Party have recently announced their policy position on the three waters “Local Water Done Well Policy”. The policy position will repeal three waters legislation and keep three waters asset ownership with Councils. It is envisaged that councils will voluntarily set up Council-controlled organisations (CCOs) where it makes sense to do so. The current financing issues faced by Councils are proposed to be addressed by opening up access to long-term borrowing.

The main concerns with the National Party Policy approach are:

- Sub-regional models (contiguous infrastructure opportunities) have been tested in the past with significant investment of time and money. The detailed business
-

case supported the creation of a CCO. Political decision-making meant this didn't progress - voluntary participation does not work.

- Repealing three waters legislation puts Council in the same position – lots of investment of time and money with no outputs/outcomes.
- Poor condition infrastructure is not the main issue for high growth provincial councils, it is an issue of large geographic spread and population spread over small townships. The metro models, which have built-in economies of scale, do not work for large district councils.
- High growth and consent renewal requirements means that new or upgraded plants are being invested in concurrently (we have 9 wastewater treatment plants and contribute to Auckland's Pukekohe plant as well, we have 7 water treatment plants and contribute to Auckland, Hamilton and TK Irrigation plants too).
- Our debt caps will not support putting in place the required infrastructure to meet the required standards (WDC has an AA+ credit rating).
- Even if debt capacity is increased, costs per capita would range between \$20,000-\$30,000 for the capital contribution alone, and when that is translated to a per property basis it would be much higher.
- Spreading debt over 30 years is not a current issue for Council – we already spread these costs over 25 years.
- From a financing tools perspective, Infrastructure Funding and Financing Act 2020 (IFF) mechanisms are being investigated but are not attractive to developers with recession on the horizon. IFF solutions would extend the repayment period, but annual levies will still be high.
- Safe water and wastewater provision is a national issue not a local issue. Various taxes pay for ~50% of our roading network (road user charges, petrol taxes etc.) but no central government contribution is made to Councils for critical life-line services such as water.

Cyclone Gabrielle

The assessment of costs to remediate damage sustained through the cyclone is underway but not yet complete. Council has the following risk management mechanisms in place to help re-build infrastructure in the event of a natural disaster:

- Commercial insurance for underground assets and some arterial bridge assets,
- Disaster recovery funds of ~\$2.2 million (with continued investment over the Long-term Plan period to replenish and build the reserve),
- Roothing budgets for both emergency works and minor events in addition to the disaster recovery funds amounting to ~\$1.1 million,
- Ability to repurpose budgets.

For large scale events that have been declared, Council receives further financial assistance to cover the emergency response and recovery. A Mayoral Disaster Relief Fund has been established and contributions have been made from Stuff (\$300,000) and from the Government via the Waikato Civil Defence Emergency Management Group (approx. \$150,000). The fund is also available for general donations from the public.

The Mayoral Disaster Relief Fund will be used to help the community recover and are aimed at providing one-off assistance for extraordinary circumstances. Applications to the fund close on 14 March 2023.

Council has red stickered 6 properties (property is deemed uninhabitable) and yellow stickered a further 14 properties (property can be entered but residents not able to stay there), these properties are earmarked in our Property and Rating Database and the intention is to withhold the third instalment invoices and remit the charges in full. It should be noted that Council does not technically have a rates remission policy in place to cover this, so an exception to the policy will need to be agreed via resolution. The approximate value of the remission across all 20 properties would be \$20,000.

There is a risk that further properties in the white sticker category (able to be occupied but clean-up required and/or at risk for future events) will move to yellow or red sticker status. The rates situation for white stickered properties (19 currently) have not been reviewed at this stage.

Risk appetite impediments to delivery

The response to Cyclone Gabrielle has highlighted that when Council is able to focus on a particular outcome as part of a multi-agency approach, outcomes can be achieved in a relatively short period of time. Staff are pulled from across the business to support emergency management activities. However, the amount of effort expended is unsustainable and has flow-on impacts for planned works. The key element of success during an emergency event is that the priorities and deliverables across all parties are aligned. Again this is only possible over a relatively short period.

Challenges for business-as-usual delivery at Council can also be alignment related, and in terms of risk appetite this misalignment can ultimately lead to delays in delivery and increased costs. The work on clustering of strategic risks and understanding risk appetite at a more granular level will be critical to getting the delivery settings right. For example, the current risk appetite for project delivery, responding to growth etc. are in the moderate to high level yet the compliance, health and safety and financial risk appetites are low. In practice this means that there is a mismatch between the design of the control environment (procurement requirements, ability to use volunteers etc.) and the intended project or growth deliverables.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Chief Financial Officer report be received.

4. Attachments

Ngaa taapirihanga

No attachments.

To	Audit & Risk Committee
Report title	Strategic Risk Register and Emerging Risks March 2023
Date:	15 March 2023
Report Author:	David Tisdall – Risk Advisor
Authorised by:	Tony Whittaker - Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To update the Audit and Risk Committee (“the Committee”) on the current risk activity and strategic and emerging risks.

2. Executive summary

Whakaraapopototanga matua

This report details:

- Strategic Risk Activity Update
- Strategic Risk Projected Treatment Implementation.
- Emerging Risks

In the last quarter, a review of strategic risks and treatments was conducted. As a result, three risks were found to have increased and were reassessed accordingly. In addition, progress was made on reducing one residual risk based on the established timeline. This information suggests that Council is taking an active approach to risk management and is making efforts to mitigate potential threats to its strategic objectives. A review of emerging risks has also been carried out and is discussed below.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Strategic Risk Register and Emerging Risks report for March 2023.

4. Discussion Matapaki

4.1 Strategic Risk Activity Update

In the last quarter we have:

- Continued to refine our understanding of the strategic risks and completed the quarterly review.
- Completed a deep dive into strategic risk interdependencies.

4.2 Cyber security

There has been an increase in cyber security residual risk in the last quarter. This has been driven by the identification of several systems not compliant with insurance minimum requirements and programme delays.

Non-IM managed systems

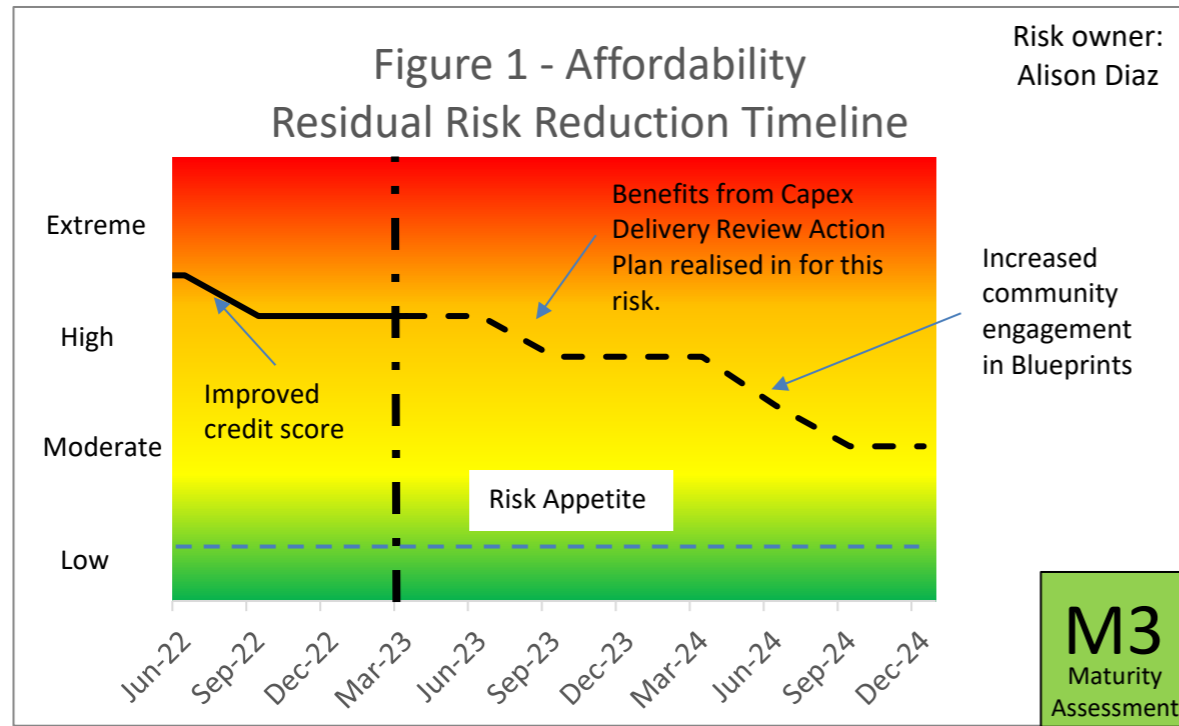
In the last quarter, as part of a review of council contract risk, several Cloud (SaaS) systems were identified which are managed directly by the Business Owner, without being under Information Management oversight. While some of these systems were implemented prior to the existence of certain controls, it was found that some of them do not comply with the Council's Cloud Policy, AoN Insurance minimum controls criteria, or the New Zealand Information Security Manual (NZISM).

This highlights the need for additional attention to be given to these systems to ensure compliance with these controls and minimize risk. Council is currently working to rectify this situation to mitigate any potential privacy or system breaches and reduce associated insurance risks.

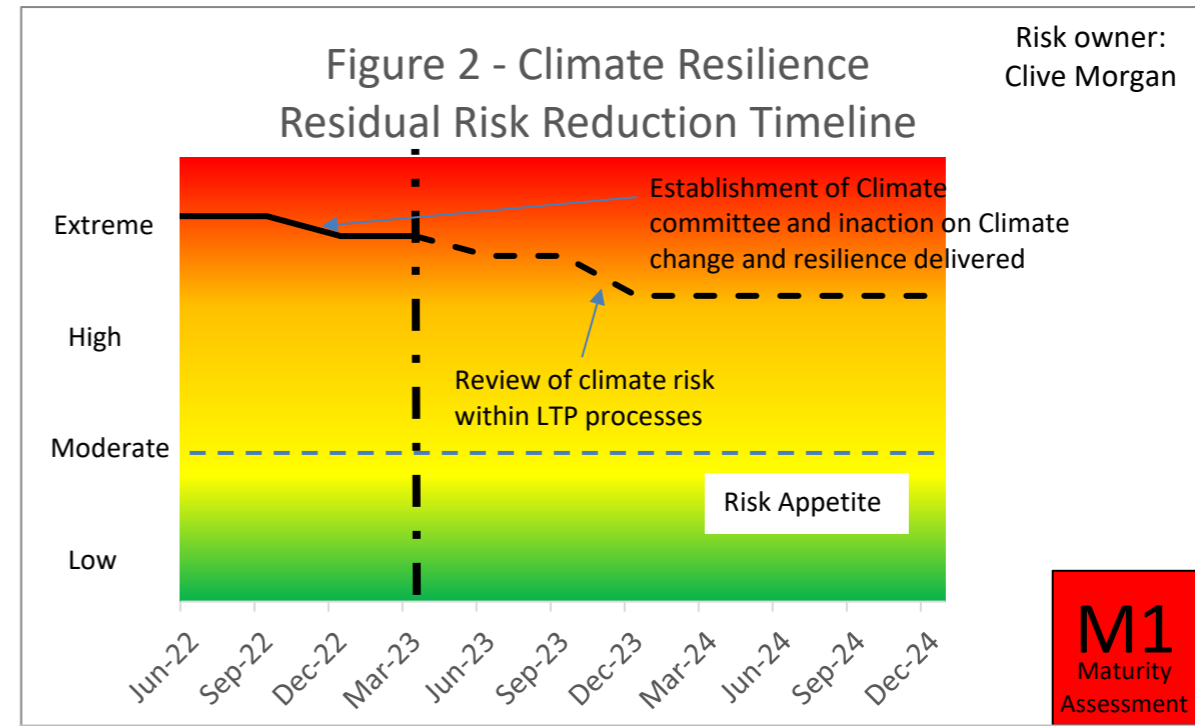
This underlines the importance of improving maturity regarding cyber security when it comes to ownership and accountability of our systems, data, and processes, and the remediate the resulting risks.

Programme delays:

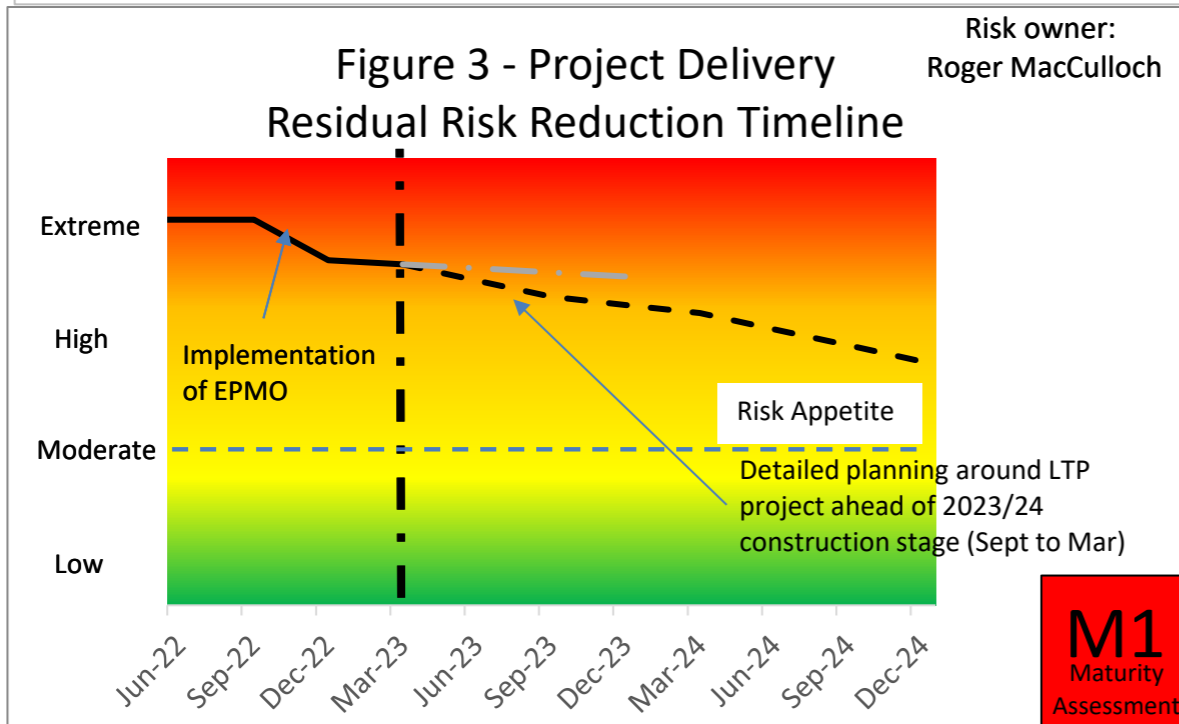
Several projects in the Digital Transformation roadmap have been delayed or put on hold due to resource constraints. A number of these projects form part of the 3-year Cyber Security Improvement programme. Staff are currently assessing the impact and response options. In the interim a key mitigation is continued staff cyber training.



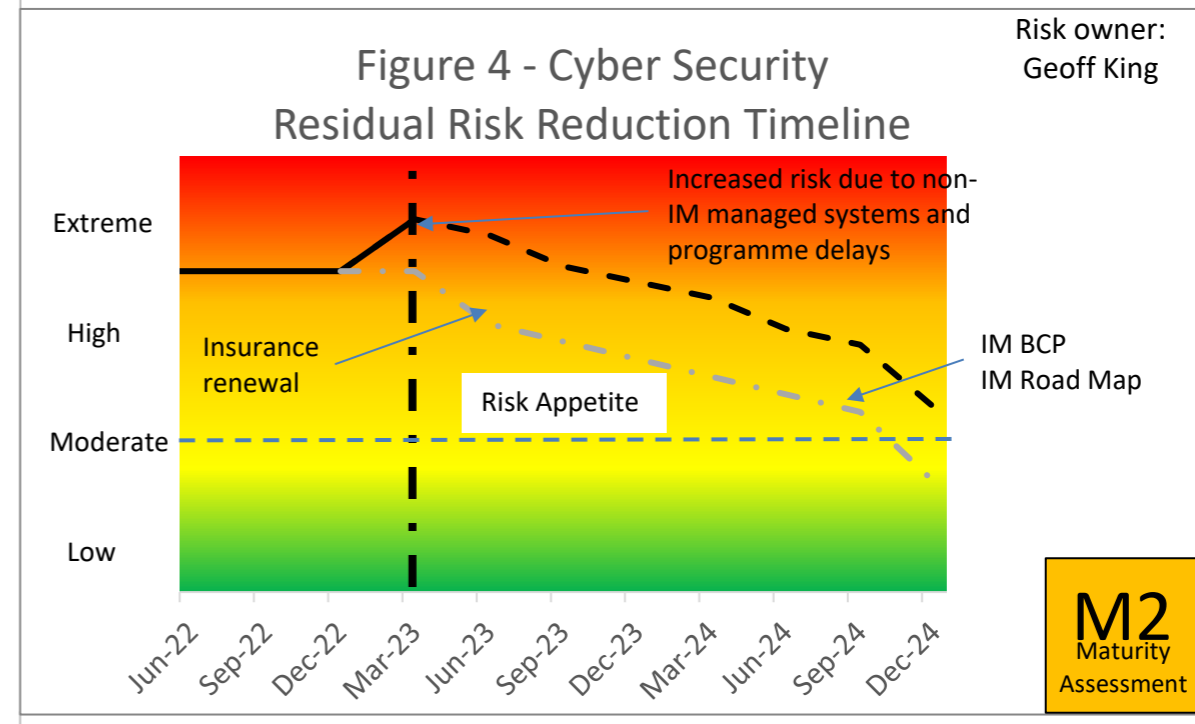
Affordability – As a result of our credit rating our debt cap has increased, enabling the ability to borrow more and reduce the cost of borrowing. In addition, financial risks associated with water infrastructure will be eliminated when three waters take effect. The positive effects of these factors will be partially offset by inflation and economic slowdown. A long-term Moderate risk is anticipated. As there will always be a disparity between community wants and costs, for this managing community expectations is critical for identifying needs over wants. This needs to be further examined at the KPMG workshop.



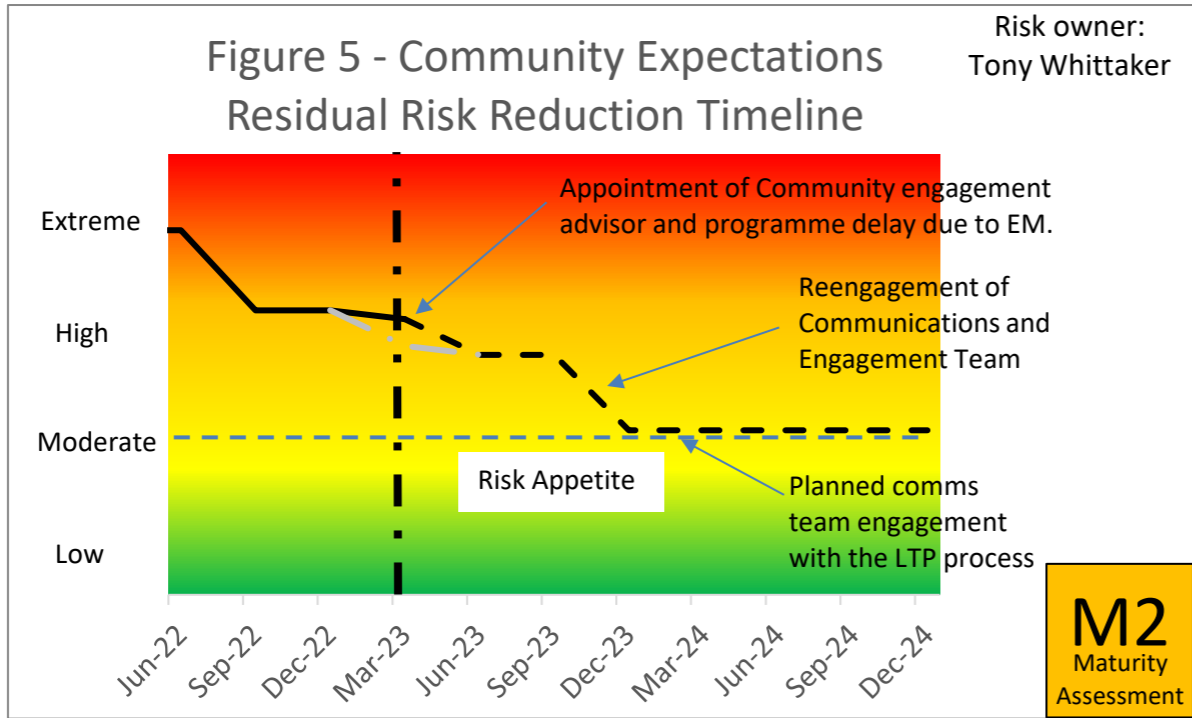
Climate Resilience - Work to develop and understand the scope of our climate resilience risk is ongoing. There has also been an improved alignment between staff and elected members in the direction and focus of climate resilience needs. Due to the recent weather events there is even greater urgency felt to receive the Climate Adaptation Act to give more clarity and understand to local government direction.



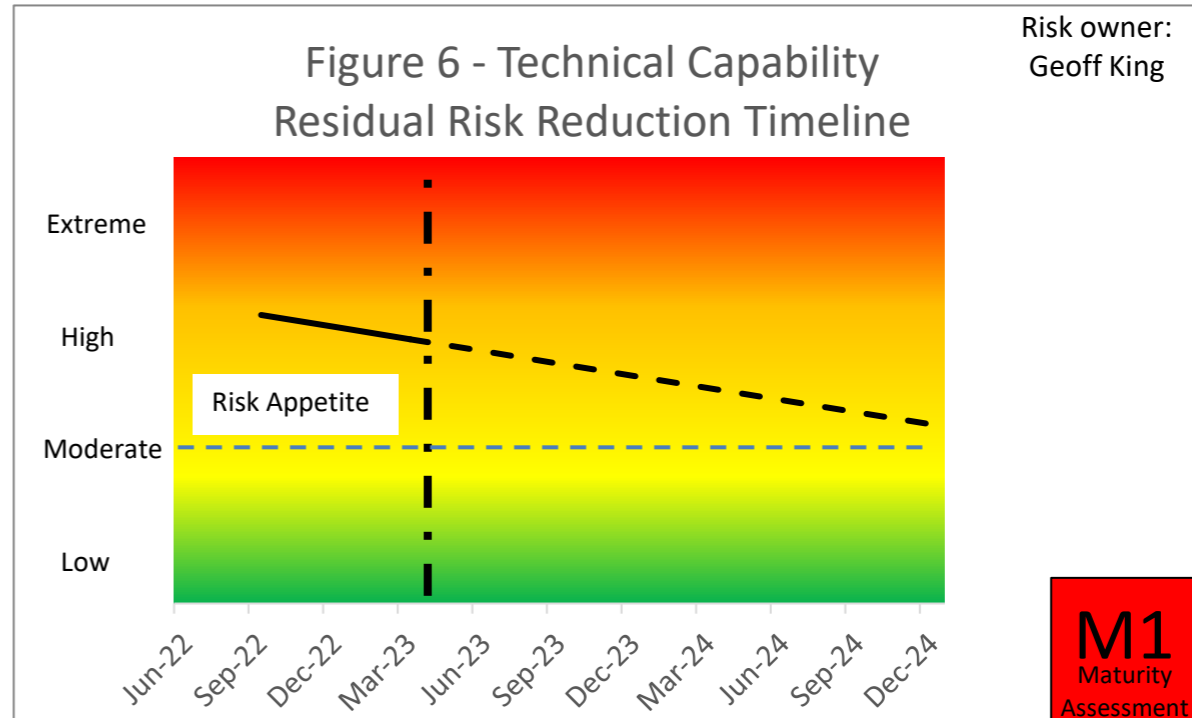
Project Delivery - Capex delivery works programme and action plan has been developed and implemented, key roles are currently being sought in the market, large challenge in finding the right people with capability and competency. The significant benefit from the new structure and framework is anticipated to be visible at the start of the 23/24 construction season. On going working with the new LTP project to help business owners have well define project scopes and budgets. Community engagement for the right projects being implemented.



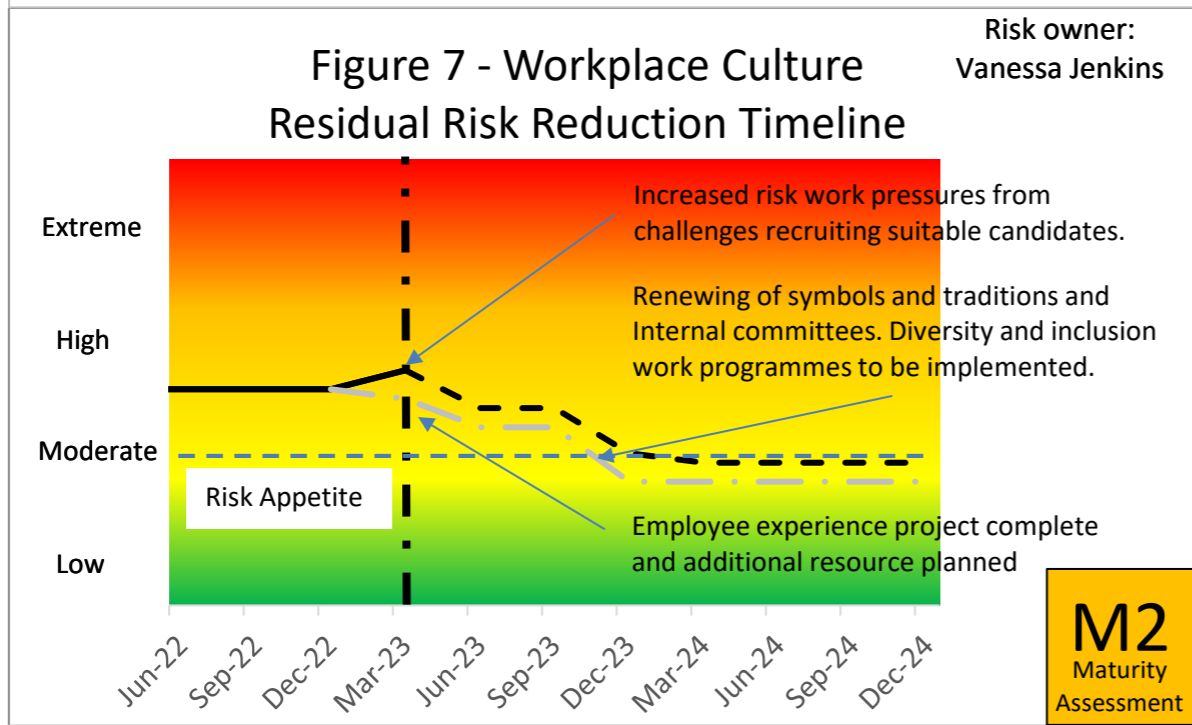
Cyber Security - Council is progressing the three-year cyber security improvement plan as endorsed by the Audit & Risk Committee. Council is currently in year 2 of the plan. Figure above has been amended to reflect delays and increased risk. Refer to section 4.3 above for details.



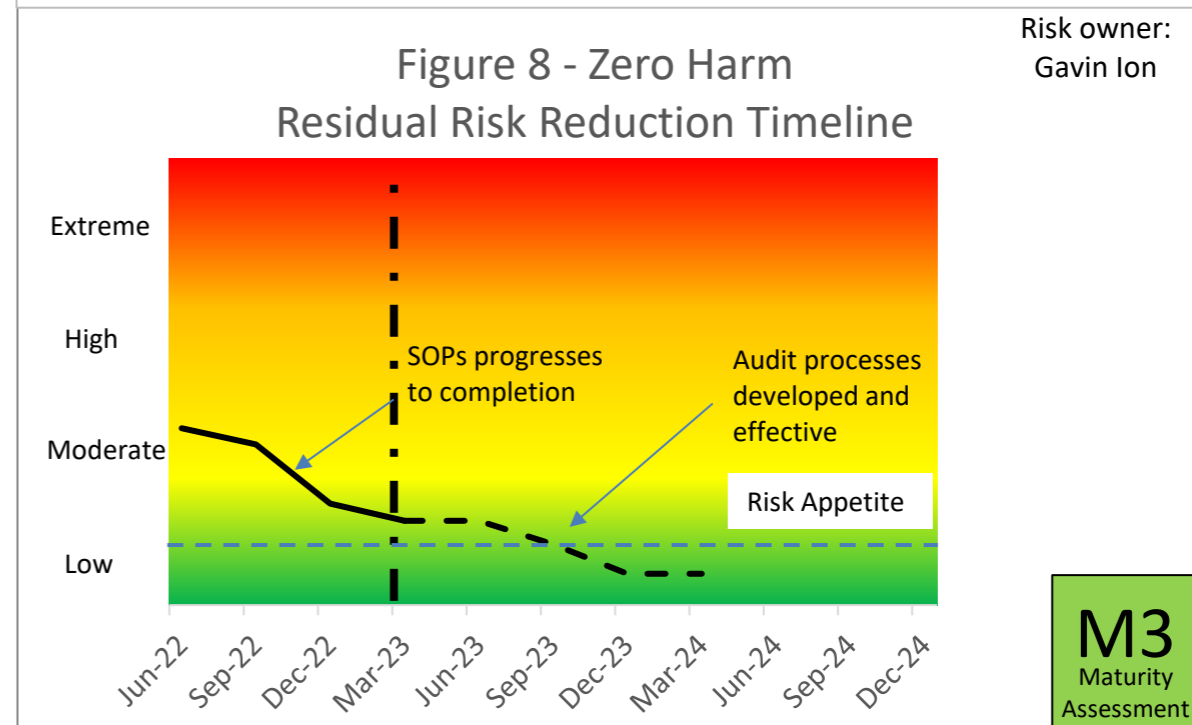
Community Expectations – The community engagement advisor, Karlene Rhind, has been appointed. Work to develop the community engagement strategy with provide a clear direction forwards to further mitigate this risk. Due to resource being reallocated to the emergency management response this work has been temporarily delayed.



Technical Capability - Based on the December deep dive into technical capability a residual risk of High was determined. The existing treatment work programme is expected to reduce the risk to Moderate over the next two years. Work will continue to review and monitor these treatments and determine gaps. There is expected to be an increased reliance on our P&C systems to manage the level of change required to mitigate this risk.



Workplace Culture - Expected impacts to this strategic risk are as follows: increased demand on resource to accommodate internal digital transformation, a need to take on unskilled workers and upskill, Future of local government and change to senior leadership. Due to current recruitment challenges existing staff are able to take on greater responsibilities and development opportunities, however, without being able to increase our workforce this isn't balanced by sharing existing workloads with others. This is reflected in an increase in uncertainty (Risk) around workplace culture.



Zero Harm - The focus remains on completing the work programme set down in the Zero Harm Strategic Improvement Plan for 2022/2023. In particular key focuses in the last three months have been on the progression of critical risk bowtie control plans for Working on the Road or Roadside and Mental Wellbeing.

Past residual risk timeline
 Updated projected residual risk timeline
 Last quarter projected residual risk timeline

Table I. Strategic Risks assessed as within Council Risk Appetite.

Title	Residual Rating	Risk Appetite	Comment	
People & Culture (Retention)	Moderate	Moderate	<p>Recruitment currently experiencing a slower season with roles taking months rather than weeks to fill.</p> <p>Several technical skill areas (Including consents, land development and project/ portfolio management skills) are hard to come by in the current market resulting in external consultants being used to fill gaps where possible. However, current market restrictions don't always make this a viable treatment.</p> <p>This has partially contributed (along with disruption to assist with emergency management) to the delay in programmes for PnC projects such as the Employee Experience project and Diversity and Inclusion project. While still considered within appetite, there is an increased level of uncertainty (Risk) around people and retention.</p>	M2
Business Resilience	Moderate	Moderate	Business Continuity Plans (BCPs) are in place. Areas of critical importance are currently being reviewed and their BCPs being tested.	M1
Regional & National Strategic Planning & Legislative Reform	Moderate	Moderate	<p>Keeping a watching brief on local government, RMA and three waters reform. The relevant submissions and/or feedback at relevant stages for each process being delivered. Staff are involved in working groups and will continue to keep a watching brief for the next steps in each of these initiatives.</p> <p>Submission on local government reform was made on 23rd Feb 2023.</p> <p>Submission on RMA reform was made on 20th Feb 2023.</p>	M2

4.3 Emerging Risks

The emerging risks outlined below are areas where considerable change is expected and for which management wish to keep the Committee abreast of activity:

4.3.1 Local government in community resilience

There is a slow shift in local government from the traditional service delivery model to a wellbeing and community-centric model. This change in direction is driven by the wellbeing focus of the local government act and will be furthered by the Future of local government reform. With a decreasing scope of local government BAU, as seen by three waters moving water services away from local government, our role to build community resilience will require increased collaboration with other entities, including those that will be servicing at regional rather than district level. This increased reliance on external partnerships may expose the organization to potential risks, such as a misalignment of goals and objectives, increased contract risk with new entities and legal obligations around emergency management. This has been reinforced lately by the recent flooding and operation of the Emergence Operating Centre (EOC).

4.3.2 Trust in local government

Declining voter turnout is evidence of a reduced level of engagement with the function of local government. This brings with it the obvious challenge of how council can effectively hear the voice of the community and their needs. However, there appears to be a more fundamental issue that is maybe better characterised as increased discontentment, disenfranchisement of the public and in some cases anger and hostility, rather than simply an apathy towards local government.

This could present a significant risk to the upcoming changes for local government such as Three Waters, Future of Local Government and Application of Te Tiriti principles.

4.3.3 Government reform – Future of local government

The Committee is familiar with the central government lead review of Local Government. The Review is considering roles, functions, and partnerships; representation and governance; and funding and financing.

Until the completion of this review elevated levels of uncertainty exist regarding the potential impact on council functions. The draft report has been released. This is now being followed by a four-month submission phase with the final report expected in June 2023. There is a degree of uncertainty around how enforceable recommendations of the review will be on local government.

Council is keeping connected to the process having met with the panel to provide input and feedback. Feedback on the interim report has been provided by Council. We are also doing our best to keep staff informed as part of our strategy to mitigate the risk of staff movement in this employment climate.

If more spending power is divested to community boards, additional risk assessments to mitigate adverse impacts may be warranted. The mayor has commissioned some research into making Council's community boards and committees more effective. This is almost complete.

4.3.4 Inflationary & Affordability Pressures

Staff are monitoring ratepayer payments as a test of affordability. Payment arrangements are offered where requested. The Rates Postponement Policy has not been required at this point.

We will continue to monitor and work with inflationary pressures. Floating lines and reprioritisation are tools available to Council.

The combination of inflation, affordability and local government elections is likely to challenge the current annual plan. Additionally, if we enter a recession there may be a significant difference to the demand in council services requiring us to be agile in our responses. The intention is to commence a comprehensive long term plan process shortly such that focus and service levels can be reviewed in depth.

4.3.5 Consent volume change

Building companies are scaling down in response to the economic downturn and supply chain issues. This has not yet been reflected in the number of consent application Council is receiving however this is likely at this stage to reflect the building industry going through its backlog of work.

If consents do reduce, and growth reduces below planned levels there is a financial risk of "stranded assets". This is where infrastructure projects that have been financed on the assumption of increased growth, and therefore more rates. Additionally, fixed rate mortgages are likely to come into play and have a knock-on effect on consenting numbers.

4.3.6 Global Supply Chain Interruptions

The impact of COVID-19 on procurement remains a significant emerging risk with ongoing delays in key supply areas including engineering components, electronics, and construction materials. Council implements procurement strategies to optimise opportunities and identify alternate solutions. Suppliers and project staff are aware of the impacts and working within the constraints and availability of resources. This impacts both delivery of Council projects and the building activity within the district.

The decreased activity in project delivery has reduced the exposure of the supply chain impacts on the accessibility to raw materials. However, there is the expectation that with the increased efficiencies through the EMPO our exposure in this area will increase.

5. Next steps

Ahu whakamua

Planned activities for the next quarter include:

- Operational risk register review to inform strategic risks.

6. Attachments

Ngaa taapirihanga

Appendix 1 - Strategic risk names and descriptions

Appendix 2 - High level maturity assessment tool description

Appendix 1 - Strategic risk names and descriptions

Risk Title	Risk Description
<p>Zero Harm: Significant harm is caused to workers, or others, due to poor or inactive health and safety systems, non-compliance with legislative requirements, or inadequate governance/ management of shared health and safety responsibilities with other PCBUs.</p>	<p>People are harmed as a result of the Council failing to identify, implement, review and maintain appropriate health and safety policies, procedures, and processes or develop and sustain a culture of Zero Harm by eliminating or managing health, safety and wellbeing risks.</p>
<p>Climate Resilience: Council experiences significant public scrutiny and or financial impact caused by Council being unable to effectively support Communities to adapt to climate impacts.</p>	<p>Communities hold Council accountable and or require significant emergency support from Council for inaction or untimely response to adverse and increasing climate impacts. This includes consideration of associated costs linked to poor planning and or inaction related to climate change adaptation.</p>
<p>Affordability: Community needs are not met due to Council being unable to deliver new and or appropriately maintain existing infrastructure due to disparity between funding and cost.</p>	<p>Infrastructure delivery becomes unaffordable due to increasing costs associated with the current economic situation. This includes the cost of labour and supplies, and material availability</p>
<p>Community Expectations: Council experiences significant public scrutiny due to being unable to meet key community expectations due to increasing costs and resources.</p>	<p>Misalignment between community wants and the viability of delivering those wants (financial and resourcing) results in communities losing faith in Councils ability and support.</p>
<p>Cyber Security: Council is exposed to significant business disruption caused by unauthorized access or damage to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour (externally or internally initiated).</p>	<p>Council systems or the information contained within are compromised by cyber-crime or a lack of compliance with process resulting in significant financial, reputational, and or business impact.</p>

Risk Title	Risk Description
<p>People & Culture (Recruitment and Retention): Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.</p>	<p>Council are unable to recruit, promote or keep staff in core service positions due to a lack of appropriately trained people, industry competition or perceived or actual Council culture.</p>
<p>Business Resilience: Business function is significantly disrupted due to a lack of organisational resilience.</p>	<p>Council operations are impacted through failure to create and prioritize action plans for implementation in the event of a business impact incident.</p>
<p>Regional & National Strategic Planning & Legislative Reform: Council is financially disadvantaged and or experiences significant disruption due to being unable to effectively adapt to structural and legislative changes by central government and or national / regional strategic planning exercises.</p>	<p>A lack of insight, planning and or adaptability associated with national strategy and reforms results in Council incurring significant cost, additional resourcing pressure, and or wasted finance and resources.</p>
<p>Technical Capability: Council is unable to meet key business needs, including customer engagement, business resilience, and optimal service level requirements due to a lack of technical capability (people and systems).</p>	<p>Due to cost, insight and or capability, Council is unable to meet the demands of digital progression.</p>
<p>Workplace Culture: Business outcomes are significantly impacted due to a lack of change readiness and or poor internal culture within the workforce.</p>	<p>Councils people are unprepared, unwilling and or unable to effectively adapt to change resulting in poor performance and a degraded internal culture.</p>
<p>Project Delivery: Council is unable to deliver key capital projects due to a lack of capacity and or project capability.</p>	<p>Councils capital works programme fails to meet timelines, cost and or quality requirements as the result of resourcing deficit and or poor planning and management practices.</p>

Appendix 2 – High level maturity assessment tool description

1.1 High-level maturity assessment

The high-level maturity assessment tool is based on the All of Government (AoG) risk maturity assessment. This is used to measure the maturity of a business' risk management processes.

The tool consists of four questions that are asked of the risk owners in the following area:

- How well defined and documented is the strategic risk management processes,
- How well are risk owners promoting and engaging others in the business with the strategic risk management practices,
- How well decision making, and assurance is supported by evidence-based data and sophisticated risk management techniques,
- The number of business units critical to the strategic risk that actively manage and review their operational risks.

AoG maturity assess business on a scale of M1 (Low) to M5 (High). M5 is typically for highly regulated institutions such as banks and insurance providers. M3 is the recommended target for local government. The maturity of each strategic risk is shown in the figures below.

Summary of risk levels:

M1	Overall business performance is largely determined by 'chance' and may vary greatly from expected outcomes.
M2	Overall business performance is somewhat determined by 'chance' and may vary from expected outcomes.
M3	Overall business performance is predictable with limited variation from expected outcomes.

To	Audit & Risk Committee
Report title	Strategic Risk Interdependencies Deep Dive
Date:	15 March 2023
Report Author:	David Tisdall – Risk Advisor
Authorised by:	Tony Whittaker - Chief Operating Officer

1. Executive summary

Whakaraapopototanga matua

This report provides an overview of Council's strategic risk portfolio. It explains the background and context of the strategic risks, the future focus for each risk, the main causes or drivers of the strategic risks, and interdependencies between risks. Opportunities for streamlining treatments is also documented by identifying areas of overlap between risks.

The report also provides an understanding of the organisation's strategic risk landscape ahead of the annual Strategic Risk and Risk Appetite workshop between Council and KPMG. This will enable the identification of gaps between the existing strategic risk portfolio and any change in strategy councillors may wish to raise at this workshop.

2. Staff recommendations

Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Strategic Risk Interdependence Deep Dive report.

3. Background Koorero whaimaarama

3.1 Background and Future Focus of the existing strategic risks

The table below identifies each strategic risk and describes the background and future focus. The “Background” explains why the risk was originally added to the register and how it’s been adapted over time. The “Future Focus” gives a brief overview of what work is expected in the future. A description of each strategic risk description can be found in Appendix 1 of the Strategic Risk Register and Emerging Risks March 2023 report.

Table 1- Strategic risk - Background and Future Focus

Risk	Background	Future Focus
Affordability	<p>Affordability was added to Council’s Strategic Risk register in December 2020. The risk was identified during a workshop facilitated by KPMG, where both Councillors and the ELT raised concerns that funding constraints could adversely impact council services.</p> <p>This risk was primarily intended to focus internally on WDC affordability limitations, such as our ability to borrow and costs associated with borrowing, rather than an outward focus on community affordability.</p>	<p>This risk was initially assessed as HIGH. However, Councils’ access to funds has improved due to the increase in debt cap and the reduced cost of borrowing via interest rate hedges and credit rating.</p>

Climate resilience	The climate resilience strategic risk was added in 2020 associated with a potential impact on Council due to public expectations of our emissions reduction. This risk was expanded in 2022 to reflect the risk associated with communities' expectations on council to support communities to adapt to climate impacts.	Work on developing and implementing our emissions reduction strategy will be on going. Adaptation is central to our climate resilience work. However, to better understand and direct this work, the Climate Adaption Act will be critical. We are also developing our capacity and capability resource to prepare for direction from the act.
Cyber security	Cyber Security was added to Council's risk register in 2014. In 2021, a three-year cyber security improvement programme was endorsed by the Committee. The council has and is still undergoing significant digital transformation to meet the needs of our community. This inherently brings risk which needs to be managed.	Following completion of our Information Management roadmap actions Council will be within the desired risk appetite. The continually evolving nature of cyber security and staff turnover will mean a programme of training will be ongoing.
Project delivery	The Project Delivery strategic risk was added to the register in 2022 to reflect the challenges being faced with capital delivery. An internal audit identified opportunities for improvement from which an action plan was prepared and is being implemented. Making effective changes for short term wins in addition to committing to thorough long-term planning are key focuses.	Capturing lessons learnt as well as monitoring risk going forward will be important to ensuring lasting improvements to meet the needs of our communities.

Community Expectations	The Community Expectations strategic risk was added to the register in 2020. An organisation review acknowledged the need to respond to changing customer expectations and increased pressures from central government. This was particularly relevant in areas where we were struggling to deliver as a business. As our business is highly reliant on our communities being open about their needs, good community engagement is essential, as is effectively managing the expectations of our communities.	A Community Engagement Strategy is being developed. The strategy will seek to develop a clearer understanding of who our communities are, what their needs are, and where and how council can meet those needs. We acknowledge we need to improve our relationships with stakeholder such as Manu whenua, Hapu, Iwi and community boards as a primary voice and reflection of our communities.
People and Culture (Retention)	This risk looks at our position within the New Zealand workforce as well as business culture, and the impact of each of these on our ability to attract and retain our people. This year we are experiencing 21.5% turnover and, as of January 2023, are exploring additional resource to address capacity issues.	The key focus going forward is on our employee value proposition (EVP), leadership, employment brand and marketing.
Workplace culture	This risk identified the cultural impact expected as our business adapts, bringing in new systems and ways of working, to keep up with demand from our communities. Since Covid, this risk has expanded to address the significant change in workplace culture expected and the need to increase our flexibility and resilience as a business.	The future focus is on being an inclusive and diverse organisation, particularly ensuring we uphold our commitments to Te Tiriti o Waitangi.

Business Resilience	<p>This risk was originally identified in 2014. Resilience is defined as the ability to quickly adapt to disruption whilst maintaining business operations. As a concept resilience describes the complete and complex system that includes emergency management, risk management, incident management, business continuity planning and strategy and community planning. Resilience interacts with all business functions and their associated risks and is therefore generally about maintaining continuity.</p>	<p>The future focus for business resilience largely consists of delivering our annual work programme such as Business Continuity Plans, Information Management resilience projects and ongoing business resilience improvement plans.</p>
Regional & National Strategic Planning and Legislative Reform	<p>This was initially set up to reflect the changes to the Franklin district border instigated from central government. It has remained a critical point of focus due to the high central government-imposed change expected on the horizon. Due to the geographical size of our district and being between large cities we need to manage cross boundary growth pressures as well as ensure effective growth management within the Future Proof sub region.</p>	<p>Our future focus will consist of a watching brief and being engaged in government direction, particularly on Local Government Reform, as well as others, such as RMA and Three waters. It seeks to take advantage of opportunities that may come our way to facilitate council work. This will include focus at the mayoral and CE level where working in partnership with neighbouring councils at a strategic level will be critical.</p>
Technical Capability	<p>This risk was added in 2022 due to Council being historically unable to meet key business needs, including customer engagement, business resilience, and optimal service level requirements due to a lack of technical capability across our people and our systems. This risk has been recognised and the Council is actively investing in enhancing the technical capability of its people and its systems.</p>	<p>Our focus is on development of our change management and training abilities to assist projects being implemented through the Our People, Financial Stewardship, Customer & Community, and Innovation Chapters of Our Plan. It will ensure that progress made through the projects currently underway will be lasting and result in a significant improvement in the technical capability of our people and our systems.</p>

Zero Harm	Zero Harm was formally added to the strategic risk register in 2016 as Council's risk framework was in development. Since then, it has continually been developed and improved upon and has set the standard for managing strategic risks at Council. A thorough risk management approach has been adopted across the business integrating this culture into risk management.	Our focus will be the implementation of an internal audit function to support the zero harm treatments that are in place and being developed.
Cyber security	This strategic risk was implemented to acknowledge and manage the cyber security risk that Council is exposed to through increased digitalisation. The fast pace of change required to adapt to Covid-19 has required a significant digital overhaul to our way of working. The scope of this work is captured in the three-year digitalisation plan of which we are currently in year 2.	Our focus will be to complete the 3-year digital programme. Due to the nature of the cyber security risk, where there is a constant external malicious and adapting threat, it will be an ever-changing space needing constant review and updating. Even once this risk is within appetite it should be expected that ongoing programmes will be needed to maintain effective risk management.

3.2 Strategic risk top causes

Below is a breakdown of the top causes to each strategic risk. The causes are internal or external factors that influence the risk and increase the likelihood of the risk consequence being felt. While there are many causes to each risk, only the top three have been considered to keep focused and manageable.

Table 2 - Top risk causes

Top risk causes		
<p>Affordability</p> <p>Aging infrastructure (Deterioration combined with outdated design levels)</p> <p>Growth pressures on district</p> <p>Economic uncertainty, driven by global trends. Inflation and supply chain issues.</p>	<p>Business resilience</p> <p>Reliance on engaging with other teams outside their BAU.</p> <p>Unpredictable and wide range of sources of business disruption.</p> <p>BAU work becoming more digital requiring continual updates to continuity plans.</p>	<p>Zero Harm</p> <p>Staff complying with processes.</p> <p>PCBU for a large portfolio of work across many business units.</p>
<p>Project Delivery</p> <p>Economic and supply chain impacts on projects.</p> <p>Significant resource deficit in the market, both new hires and consultants.</p> <p>Long term issues caused by poor forward planning practices.</p>	<p>People and Culture (Retention)</p> <p>Market availability of talent, including access to international talent and consultants.</p> <p>Risk to retention from large amount of internal change.</p> <p>Mental resilience of staff.</p> <p>Ability to financially compete in a tight market.</p>	<p>Cyber Security</p> <p>Staff complying with cyber security best practice.</p> <p>External cyber security threats through not WDC and supplier systems.</p> <p>Legacy systems not appropriate or compliant.</p>
<p>Workplace culture</p> <p>Change fatigue: Peoples individual capacity to cope with internally and externally driven change.</p> <p>High workloads and resourcing challenges impacting mental health and wellbeing.</p> <p>Maintaining and cohesive and integrated workforce. Particularly through a more flexible way of working.</p>	<p>Community Expectations</p> <p>Community engagement fatigue.</p> <p>Inadequate engagement with Manu Whenua, Iwi, Hapu, community boards and councillors. Inadequate resource to sustain appropriate levels of relationships with communities.</p> <p>Lack of council credibility impacting the interest of stakeholders to engage</p>	<p>Regional & National Strategic Planning and Legislative Reform</p> <p>Uncertainty with central government directives.</p> <p>High levels of complexity with lots of moving parts.</p> <p>A seat at the table: Ability to have a voice as a lower profile district.</p>
<p>Technical Capability</p> <p>Changing systems. Upskilling of unskilled/new/ existing staff to new systems.</p> <p>Ownership of system's continual improvement.</p> <p>Changing the way of working: Uptake of new systems to keep up with anticipated growth.</p>	<p>Climate resilience</p> <p>Limited clarity around central government's role and direction in climate adaptation.</p> <p>Increased climate hazard on aging infrastructure.</p> <p>Understanding the needs of the communities, detailed understanding of the impact of climate risk on our communities.</p>	

4. Definitions

Whakamaramatanga

Cause	The underlying factor or event that contributes to the occurrence or likelihood of a risk.
Cascading risks	Cascading risks refer to a chain reaction of events or risks that are triggered by a primary risk or event.
Consequence	The outcome of an event which impacts an objective either positively or negatively. The consequence may be expressed qualitatively or quantitatively.
Risk	The effect of uncertainty on objectives. Risks can be positive, negative, or both. Risks can address, create, or result in opportunities and threats.
Risk Appetite	The level of risk that the Council is willing to take to achieve its objectives. Risk appetite is expressed in Risk Appetite Statements.
Risk Emitter	Risk emitter refers to any source, event, process, or activity that generates or contributes to the occurrence or likelihood of a risk.
Risk interdependency	The relationship between two or more risks in which the occurrence or severity of one risk can affect the likelihood or impact of another risk.
Risk Receiver	A risk receiver refers to any person, group, system, or entity that is affected by a risk or its consequences.
Strategic Risks	Risks, caused by external and or internal events, that have potential to have significant impact on the achievement of organisational objectives. At a governance level, these risks are the focus of Council, through its Audit and Risk Committee.
Velocity	How rapidly an increase or occurrence of a Cause can led to a risk failing. E.G, Poor forward planning practices will take months or years before its effect is realised. Alternatively, the negative impact of key IM systems not being adequately protected can be felt incredibly quickly.

5. Discussion

Matapaki

5.1 Risk interdependencies

Strategic risks are assessed and mitigated by firstly identifying causes and consequences of the given risk and then adopting treatments to move the risk within risk appetite. This one-dimensional approach is effective as it simplifies the risks to an appropriate level for treatments to be tracked and managed. This oversimplification has obvious limitations and hence interdependencies between risks also need to be considered. While this adds a significant level of complexity, consideration of the interplay between different risks and their causes allows a more holistic approach to risk management. In doing so it enables connections and efficiencies to be made across multiple strategic risks.

Risk interdependency assessment methodology.

The following were undertaken to carry out this assessment:

- Identify the top three causes of each strategic risk, Table 2.
- Identify interdependencies between risks, both cascading risks and correlated causes.
 - o This consists of determining which causes can be triggered or exacerbated by another strategic risk.
 - o In addition, identifying which top causes impact multiple risks.
- Determine mitigation strategies to reduce the likelihood of failure or minimise the impact of failure.

5.2 Risk cascade (clustering)

From this analysis it is possible to get a view of cascading risks. This is where the failing of one risk directly leads to another risk.

Cascading risk from workplace culture

An example of this could begin in workplace culture, where a lack of change readiness within the business leads to a critical cause of our cyber security risk of staff not understanding or complying with cyber best practice. This then significantly increases the risk of our IM systems to be compromised through an external cyber security attack, as Waikato DHB experienced in 2021. Without critical systems, our project delivery team would be significantly under resourced and disadvantaged to manage the projects being delivered. This in turn would exacerbate the mental wellbeing effects on project managers as well as the financial risks from delays to project programmes and the ensuing variation claims from consultants' contractors.

The above cascade of risk highlights the interdependencies between various risks and the potential consequences that can arise from a lack of change readiness and cybersecurity risks within an organization.

Treatment - This highlights the need for both the resource and training material to enable an effective cyber security culture, and the support from team and people leaders to ensure it is carried out.

Cascading risks from People and Culture (Retention)

Another strength of the interdependency analysis is in highlighting slower moving risks that even when noticed can easily fall too low on the priorities list for too long.

Within the People and Culture (retention) risk, long term staff turnover challenges can lead to long term planning and strategy suffering, particularly around asset management. Without appropriate planning of asset maintenance then ageing infrastructure can have disproportionately high costs to replace assets rather than carrying out ongoing repairs.

In addition, as climate change decreases the effective design life of assets (roading and bridges being designed to historically lower flood levels), then an increased need to capture and monitor the effectiveness of assets is critical. Business and community resilience will be reduced increasing the hazard to people and increasing recovery timeframes and costs.

Treatment – It is rarely possible to fill all positions within a standard 4-week notice period that would enable an effective one to one staff handover. Therefore, along with oversight of leadership to monitor the progress of strategies and plans, position descriptions are key to give staff clarity of roles and responsibilities.

5.3 Correlation between risks

By comparing the above top contributors for strategic risks, it is also possible to identify where risks correlate together, and similar treatments can have an impact across the whole risk portfolio. This provides an opportunity to focus on mitigations that address several risks.

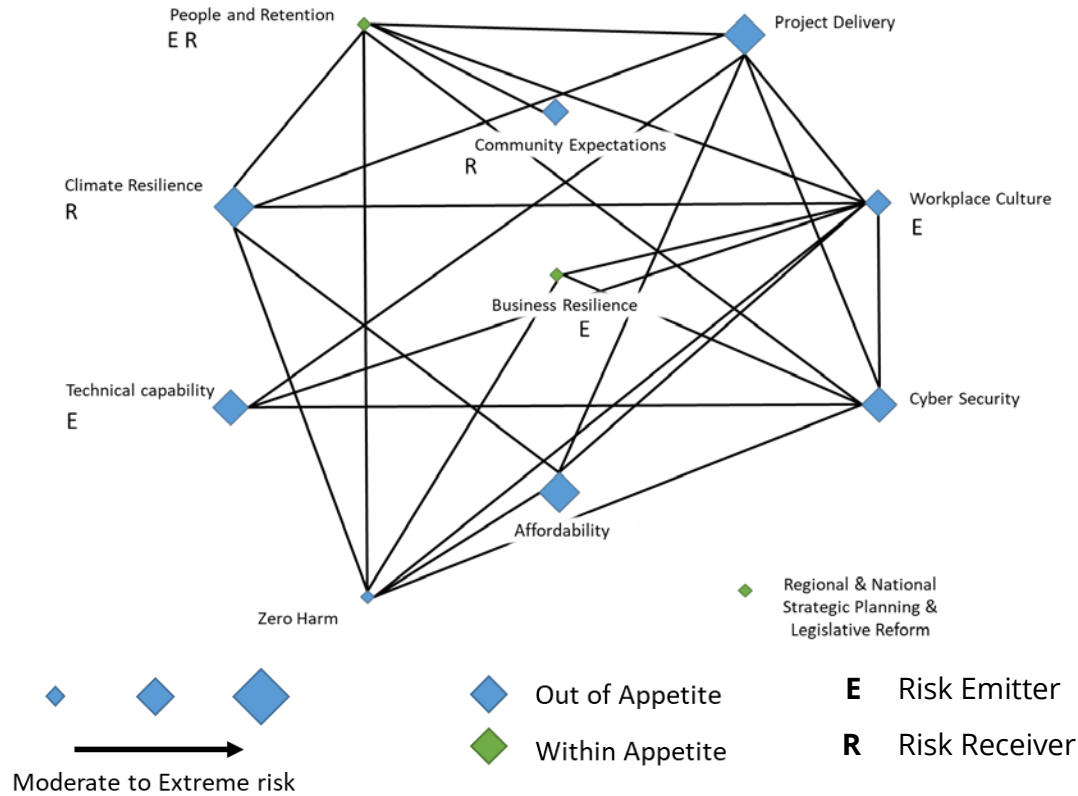
Adherence to internal processes

From Table 2, four strategic risks (Cyber, Zero Harm, Project Delivery and Technical Capability) are directly reliant on internal processes to be followed for mitigations to work. Where processes exist, there is the need to provide assurance that these are being followed. There have been instances where processes have not been appropriately followed leading to negative outcomes. This was seen in Project Delivery, as identified in the internal audit and now has a programme of work to address the issues and in cyber security as discussed in the Strategic Risk Review and Emerging Risk paper. There is an opportunity within the technical capabilities risk management mitigations to use internal audit as a assurance tool.

Treatment – Expanding internal audit capability. The current internal audit function reviews Promapp processes, however, the opportunity exists to broaden its scope.

5.4 Strategic risk interconnectivity

For information, Figure 1 below is a visual representation of the high velocity risk interdependencies. The connecting lines represent a risk cause, identified in table 2, that links two strategic risks.



6. Next steps Ahu whakamua

KPMG workshop

Next month the annual strategic risk and risk appetite workshop will be held, facilitated by KPMG. The above report seeks to provide adequate background on the existing risks and journey to this point. This workshop will be a critical opportunity for councillors to review the strategic risks and align them with the business strategy and objectives going forwards.

7. Attachments Ngaa taapirihanga

There are no attachments to this report.

To	Audit and Risk Committee
Report title	WDC Zero Harm Report
Date:	14 February 2023
Report Author:	Lynn Shirley, Zero Harm Manager
Authorised by:	Gavin Ion, Chief Executive

1. Purpose of the report

Te Take moo te puurongo

To inform the Audit and Risk Committee on the progress of initiatives underway to improve health, safety, and wellbeing, as well as current key performance indicators covering the period December 2022 to January 2023.

2. Executive summary

Whakaraapopototanga matua

- The delivery of Work Safe, Home Safe 2023 has required significant focus and resource from the Zero Team over the last three months.
- The ongoing management of the critical risks of workplace violence & aggression and working with animals needs to remain a key focus for the organisation.
- To support our continuous improvement journey and current internal resourcing constraints it is recommended that an external provider is engaged to undertake the first comprehensive audit of our ZHSMS scheduled for May/June 2023.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Waikato District Council Zero Harm Report covering the December 2022 to January 2023 period.

4. Background

Koorero whaimaarama

Council is committed to pursuing a culture of Zero Harm by eliminating or managing health, safety, and wellbeing risks. This report provides commentary and a range of indicators on the performance of health, safety and wellbeing systems and programmes at Council. The intention of this report is to enable the Committee to provide assurance to Council on the adequacy and functioning of Council's health, safety and wellbeing risk management system and associated programmes.

5. Discussion

Matapaki

Zero Harm Strategic Improvement Plan FY22/23 Progress

A key area of focus over the last two months has been planning the annual organisation wide Work Safe, Home Safe event. This year's three-week event is focused on building knowledge and understanding of the following:

- Emergency management
- Hazard & risk management
- Mental wellbeing
- On-road driving
- Physical wellbeing

Key outcomes from the event include:

- Worker understanding and connection with Council's refreshed Zero Harm commitment.
- Reinforcement of key Zero Harm information by the completion of refresher induction training.



At the time of writing this report the following activities and participation rates were available

Activity	Compulsory or Optional	% Completion or Participation
Annual Zero Harm Refresher Induction	Compulsory	84%
Emergency Response Scavenger Hunt	Optional	22%
Sharing your Zero Harm Commitment	Optional	22%
Driver Fatigue Awareness Training	Optional	14%

Healthy Heart or Vision Testing	Optional	26%
Skin Check	Optional	20%

One of key highlights from the event to date has been “*The Power of Stories*” presentation delivered by Jehan Casinader. Feedback was sought from staff following the presentation and responses have been overwhelmingly positive including;

- *This was such a great presentation, thanks so much to everyone involved in bringing this to us.*
- *I thought his talk was brilliant and have already recommended it to people.*
- *The whole presentation was my favourite.*
- *Best presentation!!! Can't wait to read the book. Thank you so much for organising this!*
- *Thanks to council for organizing this amazing workshop. Grateful!!!*
- *I will share this message tonight with my kids and husband and I will be watching the recording again soon.*
- *organising this for us and allowing our team to participate by allowing us to open our doors later. Truly appreciated.*
- *I really loved Jehan's speech today I really loved it. Thank you.*
- *The presentation was very powerful, and I will be sharing it and watching it again myself.*
- *It was well received by my team and gave us some things to think about*
- *powerful!*

Effective Systems

Emergency Preparedness and Response

As detailed above, emergency preparedness and response was a significant focus for Work Safe, Home Safe 2023. A key outcome was to ensure that all our people know what to do in an emergency event and where to find resources to support a response. Over the next quarter we will be delivering refresher warden training to approximately 200 staff across seven facilities. Reviews of building trial evacuations will also be undertaken to determine the effectiveness of this strategic risk treatment.

Zero Harm Management Systems Framework

Development of our documented Zero Harm Safety Management System (ZHSMS) continues to progress. A key step in our zero harm journey will occur when our ZHSMS is readily available to all interested parties e.g. staff, People Leaders and Safety Action Team (SAT) representatives. This is dependent on the “go live” date for the new Waisite which has currently been delayed until approximately April 2023.

To support our continuous improvement journey and current internal resourcing constraints, we are also recommending that the first comprehensive audit of our ZHSMS scheduled for May/June 2023 is undertaken by an external provider. Investigation is currently underway to identify who could compete this work for us.

Performance Reporting

Council's zero harm performance across several health and safety metrics for the period July 2022 to January 2023 is shown below. The results for the period July 2021 to June 2022 are included for comparison. For further information please refer to Attachment 1.

Measures	July 21 to June 22	July 22 to November 22 (annualised)	Trend Against previous year	Commentary
Events reported in BWare Safety Manager (Lead)	178	135 (230)		
Total Recordable Injuries (TRIs) e.g., Lost Time Injury, Restricted Work Injury or Medical Treatment Injury (Lag)	2	2 (2)		Medical Treatment Injury (MTI) sustained by Customer Delivery Officer while moving a box of books on a shelf. Injury required several physiotherapy treatments to support recovery. Problem solving undertaken to identify improvement opportunities.
WorkSafe NZ Notifiable Events (Lag)	1	0 (0)		
First Aid Injury events (Lag)	18	8 (13)		
Serious Near Miss events (Lead)	1	1 (3)*		*It is generally considered that having more near misses being reported is a more accurate reflection of positive safety culture
Near Miss events (Lead)	86	52 (89)*		*It is generally considered that having more near misses being reported is a more accurate reflection of positive safety culture
New Hazards (Lead)	162	54 (93)		Comparative figure for FY21/22 includes Covid-19 risk management controls and is significantly higher than normal
Safety Engagement Conversations (Lead) KPI is >160 conversations per month or 1920 annually	1920	1093 (1874)		At the time of preparing the report there were ten People Leader vacancies.

Further analysis of the incidents reported during the period December 2022 to January 2023 has been undertaken to identify what hazards these incidents related to and if any additional risk management opportunities exist.

Critical Safety Risk Management

To support the quarterly strategic performance review, analysis of BWare Safety Manager entries linked to our critical safety risks was undertaken. Of the 30 entries during the period October 2022 to December 2022, 16 (53%) were linked to the risk of workplace violence and aggression and 8 (26%) were linked to the risk of working with animals. This highlights the importance of the work that continues to be undertaken by the Zero Harm Team to support business units and workgroups to manage these priority risks.

Workplace Violence

A review of the risk control plan for Workplace Violence is being undertaken by a multidisciplinary team including Safety Action Team (SAT) and worker representatives. Council's risk control plan has been updated to include additional controls based on work undertaken by the Government Health and Safety Lead (GHSL) in the published Social Sector Safety Forum Report, December 2020. This work included three specific scenarios relevant to Council, these are; physical harm in uncontrolled environments, physical harm in controlled environments, and psychological harm. The risk control plan now contains 114 controls and incorporates the findings from the facility risk assessments undertaken by Fear Free in 2017, therefore providing a more comprehensive overview of the risk.

Mental Wellbeing

Development of the risk control plan for Mental Wellbeing at Work continues in conjunction with the People & Capability (P&C) Team. Analysis of the risk and development of the control plan is being undertaken using the International Standard (ISO) 45003 Occupational health and safety management – Psychological health and safety at work – Guidelines for managing psychosocial risks.

Information on risk control plan progress and activities that can support physical, mental and emotional wellbeing was a key focus for Work Safe, Home Safe 2023.

6. Attachments

Ngaa taapirihanga

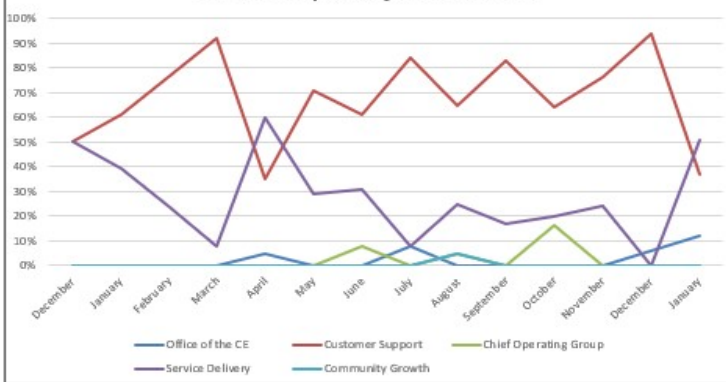
Attachment 1. Zero Harm Dashboard January 2023

Zero Harm Performance Dashboard - January 2023

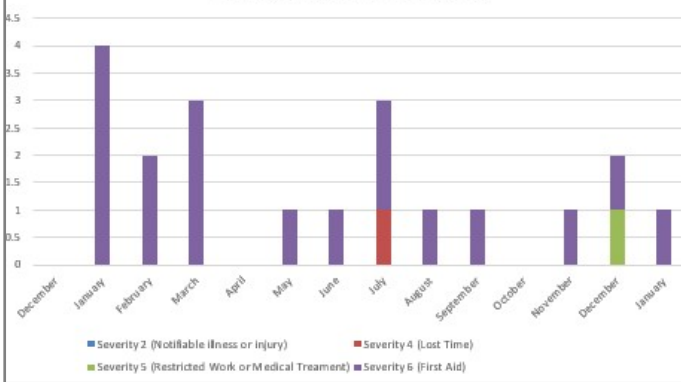


Incident Management

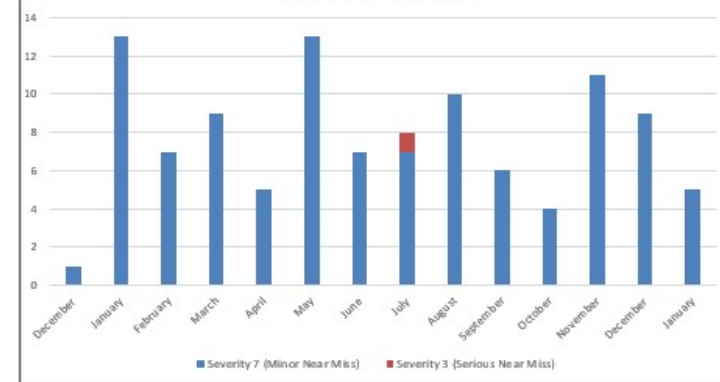
Incident Reports by Business Unit



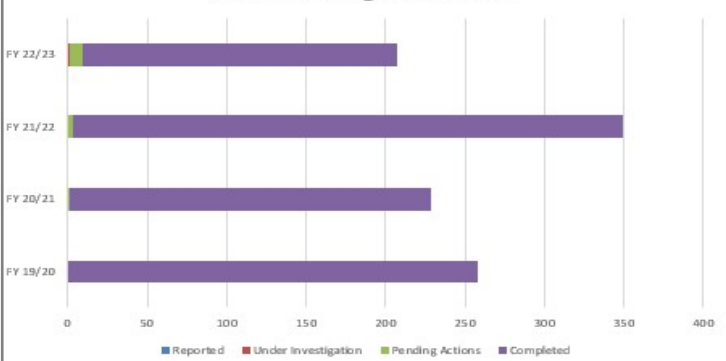
Incidents by Severity Rating



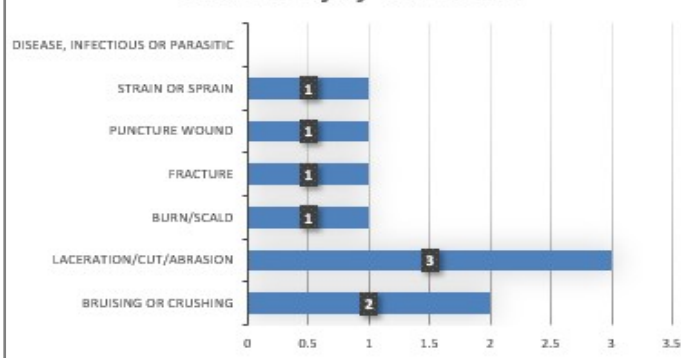
Near Miss Incidents



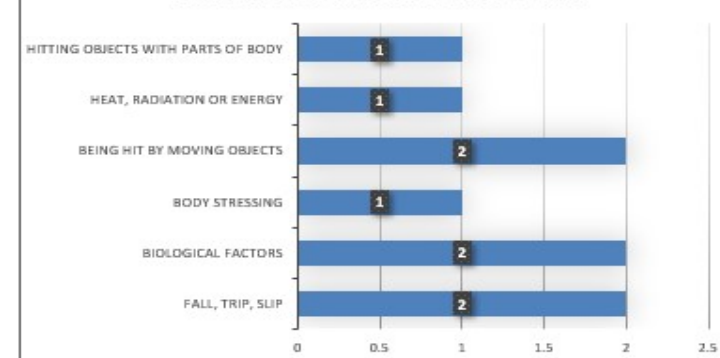
Incident Management Status



Nature of Injury Year to Date



Mechanism of Harm Year to Date

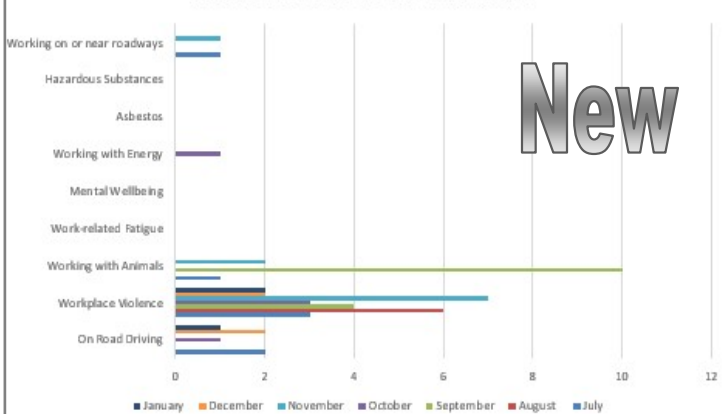


Incident Management

Safety Leadership & Culture

Hazard & Risk Management

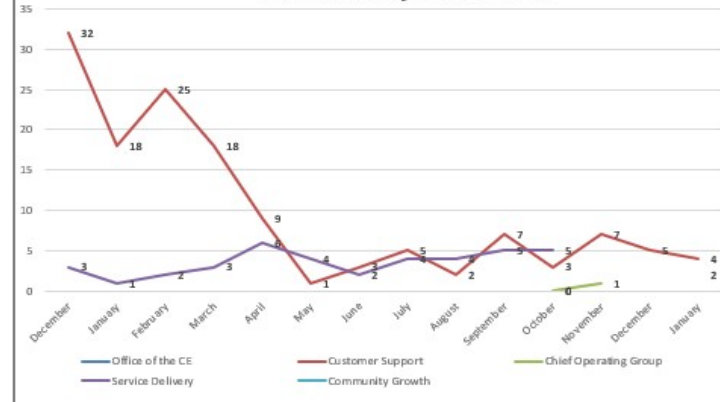
Incidents related to a Critical Risk



Zero Harm Engagement Conversations



New Hazards by Business Unit



To	Audit & Risk Committee
Report title	Waka Kotahi Investment Audit Report Findings
Date:	15 March 2023
Report Author:	Grant Tregidga, Roothing Manager
Authorised by:	Roger MacCulloch, General Manager Service Delivery

1. Purpose of the report

Te Take moo te puurongo

To inform the Committee on the findings of Waka Kotahi's report titled "*Investment Audit Report – Procedural Audit of Waikato District Council*".

AND

To inform the Committee on improvements being made as a result of the Audit.

2. Executive summary

Whakaraapopotanga matua

Waka Kotahi are required to undertake an Investment Audit in line with the Land Transport Management Act 2003, the Audit undertaken was for the period 1 July 2018 to 30 June 2021.

Overall the audit found our rating assessment as Effective with some improvement needed in Procurement Procedures. This paper outlines actions undertaken to ensure these improvement recommendations are implemented.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Waka Kotahi Investment Audit Report Findings be received.

4. Background Koorero whaimaarama

Waka Kotahi are required to undertake an Investment Audit in line with the Land Transport Management Act 2003, the Audit undertaken was for the period 1 July 2018 to 30 June 2021.

The audit was undertaken in August 2022 and issued in November 2022 with an objective to provide assurance that investment in Council's land transport programme is being well managed, delivers value for money appropriately and is managing risk.

The overall audit rating was "Effective" which is the highest rating achievable.

5. Discussion Matapaki

The audit selected at random areas funded within Waikato District Council's land transport activity through its National Land Transport Programme (NLTP) which were:

Horsham Downs Link Road	Dempsey Wood
Te Awa Cycleway- Riverglade Drive to SH21	Schick
Te Awa Cycleway	Base Civil

These projects were audited against five areas as shown below:

Subject Areas Rating Assessment*	
1 Previous Audit Issues	N/A
2 Financial Processes	Effective
3 Procurement Procedures	Some Improvement Needed
4 Contract Management	Effective
5 Professional Services	Effective
Overall Rating	Effective

While the overall audit rating was "Effective" which is the highest rating achievable the audit did identify some areas for improvement.

Waka Kotahi recommends that Waikato District Council:		Implementation Date
R2.1	Ensures there is clear documentation to support unusual transactions and journals posted to subsidised accounts	1/07/2023
R3.1	Publishes its current Procurement Strategy on its website	1/07/2023
R3.2	Accurately documents its procurement processes through tender evaluation reports	1/07/2023
R3.3	Ensures its procurement procedures are consistent with its Procurement Strategy.	1/07/2023

Staff have welcomed the recommendations provided within the investment audit report and have taken the following actions:

Action	Ensures there is clear documentation to support unusual transactions and journals posted to subsidised accounts
Response	Completed and closed out with Waka Kotahi's investment advisor.
Action	Publishes its current Procurement Strategy on its website
Response	To be published in March 2023 with a new procurement strategy due to be submitted in mid March. The new procurement strategy will be for the next three year period and will be uploaded as soon as approval is given from Waka Kotahi
Action	Accurately documents its procurement processes through tender evaluation reports
Response	A lessons learnt with staff procuring contracts will be undertaken.
Action	Ensures its procurement procedures are consistent with its Procurement Strategy.
Response	A lessons learnt with staff procuring contracts will be undertaken. It should be noted that the correct procurement process was followed but was not consistent with the procurement strategy. Should any change in strategy be required in the future Waka Kotahi will be consulted.

Overall, a positive report with some low risk actions identified which will lead to continuous improvement.

6. Attachments

Ngaa taapirihanga

Attachment 1 – Waka Kotahi Investment Audit Report dated 7 November 2022



INVESTMENT AUDIT REPORT

Procedural Audit of Waikato District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Tony Pinn

7 November 2022

Approved Organisation (AO):	Waikato District Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$82,743,758(Budgeted programme value)
Date of Investment Audit:	1 st – 4 th August 2022
Auditor(s):	Tony Pinn - Senior Investment Auditor
Report No:	RATPI - 2283

AUTHORITY SIGNATURES

Prepared by:



.....
Tony Pinn, Senior Investment Auditor

Approved by:



.....
Yuliya Gultekin, Practice Manager Audit & Assurance

7/11/2022

.....
Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

EXECUTIVE SUMMARY

Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) funds Waikato District Council's land transport activity through its National Land Transport Programme (NLTP). Waikato District Council is responsible for the management of the land transport activity, excluding the state highways, within the Waikato District. This procedural investment audit was completed for the period 1st July 2018 to 30th June 2021.

Funding assistance for the three financial years to 30th June 2021 was reconciled against the Council's general ledger records. Transaction testing was successful, but we recommend better record keeping supporting unusual transactions and journals posted to subsidised accounts.

Waikato District Council's Procurement Strategy is current, but the latest version is not published on Council's website as per section 10.6 of the Procurement statement which states "*An approved organisation must ensure that its current procurement strategy, endorsed by Waka Kotahi, is publicly available and accessible through its web site*".

Three physical works contracts were reviewed during this audit. All met Waka Kotahi requirements, but we recommend better documentation of the tender process and ensuring procurement procedures are consistent with Council's Procurement Strategy.

There were four conditions of approval recorded in Transport Investment online for Council at the time of the audit relating to the Waikato Cycleway and Horsham Downs projects. However, we understand these conditions may have been met. We will advise the relevant Waka Kotahi staff to closed out these conditions in TIO.

Overall, Council has a good understanding of road safety audit requirements, and it appears these are well imbedded in its procedures.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Effective
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Effective
5	Professional Services	Effective
Overall Rating		Effective

* Please see Introduction for Rating Assessment Classification Definitions

Note: Before being finalised this report was referred to Waikato District Council for comment. Despite numerous requests we did not receive any feedback to our draft report.

RECOMMENDATIONS

The table below captures the audit recommendations. Dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Waikato District Council:		Implementation Date
R2.1	Ensures there is clear documentation to support unusual transactions and journals posted to subsidised accounts.	1/7/2023
R3.1	Publishes its current Procurement Strategy on its website.	1/7/2023
R3.2	Accurately documents its procurement processes through tender evaluation reports.	1/7/2023
R3.3	Ensures its procurement procedures are consistent with its Procurement Strategy.	1/7/2023

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that Waka Kotahi investment in Council's land transport programme is being well managed and delivers value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

The previous joint procedural/technical audit was completed in May 2019. The two procedural audit recommendations requested Council to review its Procurement Strategy and to meet road safety audit requirements. They have both been subsequently addressed.

* * *

2. Financial Processes

Effective

Claims for funding assistance for three financial years 1 July 2018 to 30 June 2021 were reconciled against Council's general ledger records.

We sampled transactions from a selection of work categories, and all were eligible for funding and posted to the correct Waka Kotahi work categories. There were many small value transactions for overheads which are journalled across financially assisted accounts each month. Whilst we did not test these overhead allocations, they appeared reasonable.

During transaction testing, we noted two credit transactions which were not offset against expenditure claimed in the subsidised accounts. We were eventually able to verify that the transactions were treated correctly in the Land Transport Disbursement account, but given a procedural audit is carried out every 3-4 years, we recommend that there is clear documentation to support unusual transactions and/or journals to subsidised accounts.

Council does not maintain a retentions account with a bond in lieu required for project contracts.

There are four outstanding conditions of funding registered in TIO.

Waikato Cycleway - two conditions relating to the two stages.

- *Subject to condition subsequent: should stimulus package funding (or other similar Crown funding) be granted for the full cost of this project, the NLTF funded portion of the project must not be claimed, and any NLTF funds already claimed must be reimbursed to NZTA. If such funding is granted for the local share of this project only, this may be used as local share and the NLTF share will be provided at normal FAR*

Horsham Downs

- *Waikato District Council confirms that the required resource consents are in place to undertake construction*
- *Waikato District Council confirms their legal ownership of the land and designation for the road corridor*

We understand these conditions have been satisfied and we will follow-up with the Waka Kotahi Investment Advisor.

Recommendation	R2.1 We recommend that Waikato District Council ensures there is clear documentation to support unusual transactions and journals posted to subsidised accounts.
Waikato District Council's comment	No response received

* * *

3. Procurement Procedures	Some Improvement Needed
<p>Waikato District Council has a current Procurement Strategy which expires in July 2023. Councils 2010 Procurement Strategy is published on its website, but we noted this had not been updated with the current Procurement Strategy in line with section 10.6 of the Procurement statement which states “<i>An approved organisation must ensure that its current procurement strategy, endorsed by Waka Kotahi, is publicly available and accessible through its web site</i>”.</p> <p>We reviewed 3 contracts for compliance with Waka Kotahi approved procurement procedures and all contracts met Waka Kotahi procurement requirements.</p> <p>We noted that the Tender Evaluation Report for Horsham Downs documented that the TET agreed to remove a topsoil item from the price schedules of all tenderers due to different interpretations regarding the scope of work. We could not initially match the amounts deducted to the price schedules submitted by two of the five tenderers. Information subsequently provided showed that the prices for these two tenders were adjusted further due to TAGs being removed and having price implications. These subsequent adjustments however were not documented in the tender evaluation report even though they could have changed the outcome.</p> <p>Council's Procurement Strategy stated that the Te Awa Cycleway would be procured through a two-stage selection process; however, it was noted that whilst the Mangaonua section was consistent with this procurement process the Riverglade Drive to SH21 section was procured under a single stage lowest price conforming process. Whilst this did not affect the overall outcome, Council's procurement procedures need to be consistent with its Procurement Strategy.</p> <p>We noted a strong level of competition for physical works contracts with an average of eight tenderers received from the three contracts we reviewed.</p>	
Recommendations	<p>We recommend that Waikato District Council:</p> <p style="padding-left: 40px;">R3.1 Publishes its latest Procurement Strategy on its website.</p> <p style="padding-left: 40px;">R3.2 Accurately documents its procurement processes through tender evaluation reports.</p> <p style="padding-left: 40px;">R3.3 Ensures its procurement procedures are consistent with its Procurement Strategy.</p>
Waikato District Council's comment	No response received

* * *

4. Contract Management	Effective
<p>Council's roading related activities are provided through an alliance contract which includes all maintenance and renewal work across the network. Contract management is primarily provided both in-house as part of the alliance contract arrangements.</p> <p>An independent financial audit of the alliance charges is also carried out annually. We reviewed the latest audit report (2021-22) by Brian Smith Consultancy Services. Overall, the auditor's findings were positive commenting that the Total Cost Estimate (TCE) for the 2021/22 financial year was "accurately compiled and was based on sound methodologies".</p> <p>We selected two road safety audits to review:</p> <ul style="list-style-type: none"> • Horsham Downs Link Road – Detailed Design (March 2020) • Te Awa – Cycleway Riverglade Drive to Weremu Tamihana – Post Construction report (June 2021) Contact management is carried out inhouse <p>Council's actions/decisions were all documented and properly closed out within the road safety audit reports we reviewed.</p> <p>Overall, Council has a good understanding of the requirements relating to road safety audits, and it appears these are well embedded in its procedures.</p>	
Waikato District Council's comment	No response received

* * *

5. Professional Services	Effective
<p>Council has a small in-house professional service business unit of 5 - 6 FTE's. Professional services are also provided by the alliance contractor and other external consultants as required.</p> <p>Staff advised that a cost recovery multiplier is not applied to in-house business unit staff costs. Council may wish to review this; however, we would assume monthly corporate overhead costs allocated to subsidised accounts would include a portion of in-house professional services overhead.</p>	
Waikato District Council's comment	No response received

* * *

APPENDIX A**Audit Programme**

Previous audit outcomes – from last procedural audit undertaken in May 2019
Land Transport Disbursement Account
Final claims 2018/19, 2019/20, 2020/21
Transactions (accounts payable)
Retentions Account
Procurement Procedures
Contract Variations
Contract Management
Road Safety Audits
Professional Services
Transport Investment On-line (TIO) Reporting
Other issues that may be raised during the audit
Close-out meeting

APPENDIX B

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
20/045	5	March 21	Horsham Downs Link Road	Dempsey Wood	Estimate Let Price Final Forecast Cost	\$3,200,000 \$1,937,057 \$2,932,418
20/005	9	Nov 20	Te Awa Cycleway- Riverglade Drive to SH21	Schick	Estimate Let Price Final Cost	\$1,220,881 \$973,640 Ongoing
20/006	9 (shortlisted to 4 following ROI)	Nov 20	Te Awa Cycleway	Base Civil	Estimate Let Price Final Cost	\$2,263,040 \$2,937,208 Ongoing

To	Audit & Risk Committee
Report title	Insurance Policy/ Premium Confirmation
Date:	15 March 2023
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To inform the Committee on the outcome of the insurance renewal and related premiums.

2. Executive summary

Whakaraapopototanga matua

The insurance market remains in a hard market cycle with professional indemnity and cyber liability cover most challenging from a terms and premium perspective. Increasing weather events and inflationary aspects have also impacted coverage and premiums.

Total premiums have increased by ~11%, to \$1.24 million for the 2022 renewal (excl. GST, Fire Service and EQC levies). The effective rate change, which is the change in premium when adjusted for the increase in the total declared value, ranged between -2.5% for public liability to 10% for professional indemnity.

The full premium summary and comparison can be viewed on page 5 of the attachment.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Insurance Policy/Premium Confirmation report.

4. Attachments

Ngaa taapirihanga

Attachment 1 – Aon Insurance renewal report Nov 2022-Nov 2023

Executive Summary – 2022 Insurance Renewal

Waikato District Council

Firstly, we would like to thank the staff at Waikato District Council for providing the required information for the 2022 renewal. As in previous years, Insurers are becoming more and more focused on good quality accurate data, and because of this we are always looking for more detailed information, which puts more pressure on Council staff to provide.

Market Overview

The following is a summary of the current state of the markets for the major policy classes of

- Material Damage / Business Interruption and Infrastructure Covers
- Professional Indemnity and Public Liability
- Motor
- Cyber

Material Damage / Business Interruption and Infrastructure

As we have discussed at the pre renewal presentations, the major influences on the markets over the last 12 months has been a continued increase in the frequency and severity of weather-related events, both globally and domestically; and the unprecedented inflationary pressures that are impacting property rebuild costs in the post covid lockdown global economy.

The increase in frequency and severity of the weather-related events has led to an increase in the number of claims, which in turn impacts the rating structure and re-insurance costs. This all ultimately leads to an increase in premiums

To put some context to this, Hurricane Ian which recently hit Florida is estimated at between USD \$50bn to USD \$70bn. This will have an impact on the global insurance market.

In addition to this, we are seeing significant increases in declared values because of the global inflationary pressures. Underwriters are acutely aware that values have increased from last year and are expecting clients to present relevant updated values in line with the inflationary increases experienced.

If values are not increasing in line with global expectations, then insurers are either refusing to quote or are applying significant rating increases to counter the lack of increase in declared values.

Professional Indemnity and Public Liability

The Local Government / Municipality sector is still a still a difficult market with limited insurer appetite. To the point that some markets now refuse to write any business in this sector globally.

Because of the strong relationships that we have with the current Lead insurer on this programme, we have been able to mitigate the impacts of the market increases for these covers.

As a result of the London market presentations that took place in September, Aon have been able to better educate these markets of the unique circumstances applicable to New Zealand, such as the implications of ACC and also clarify the full range of activities that New Zealand Local Government undertake, which does mitigate the exposures compared to other countries.

Motor

The global inflationary pressures that are being felt also impact the motor markets, with insurers experiencing something called "Claims Inflation". This is simply the increase in claims costs during the policy period because of the inflationary pressures. Therefore an insurer must set a premium at the beginning of the year that will factor in the increase in claims cost due to the inflationary pressures over the policy period.

Cyber

The Cyber Insurance market is still probably the most challenging market. There is limited insurer appetite. Insurers are focusing very strongly on the quality of security measures in place, such as multifactor authentication, end of life systems management and Business Continuity Plans and Incident Response Plans.

Insurers are limiting the levels of cover provided and looking at co-insurance clauses to mitigate their exposure to cyber events.

The current market increases on average are generally between 30% to 40%

Other classes

For the other classes of cover such as Statutory Liability, Employers Liability, Personal Accident Cover and Travel Insurance, these are all relatively flat.

Renewal Outcomes

The following is a summary of the renewal outcomes at the group level and at the individual Council Level. Please note all premiums shown below exclude any government levies or GST.

Material Damage and Business Interruption

As mentioned in the introduction the insurers are very focused on the increase in the total declared values. At group level the values and premium change from last year to this year is as below

Waikato LASS	Total Declared Values	Group Premium	Effective Rate	% change in Values	% change in Premium	% change in Effective Rate
2021	\$3,295,444,966	\$3,274,000	0.0994%			
2022	\$3,707,452,531	\$3,945,000	0.1064%	12.5%	20.5%	7%

This shows that whilst there has on the face of it been a significant increase in premiums this is largely driven by the increase in the total declared values, the actual underlying rate percent has only increased by approx. 7%. This is in line with the forecasts that we have previously given and is now, in fact, ahead of the market increase that we are currently seeing of nearer 10%.

For Waikato District Council, the Material Damage and Business Interruption Premiums are as follows

Waikato District Council	Total Declared Values	Premium	Effective Rate	% change in Values	% change in Premium	% change in Effective Rate
2021	\$298,732,393	\$446,996	0.1496%			
2022	\$308,939,134	\$493,231	0.1597%	3.4%	10.3%	6.7%

Infrastructure

The Infrastructure policies cover damage to the Council's underground infrastructure assets from natural catastrophe type events. This includes the water, wastewater and stormwater reticulation network.

As with the comments under the Material Damage section, the insurers were very focused on the Total Declared values and for the 2022 renewal the Groups figures are as follows;

Waikato LASS	Total Declared Values	Group Premium	Effective Rate	% change in Values	% change in Premium	% change in Effective Rate
2021	\$5,588,632,559	\$2,097,182	0.0375%			
2022	\$6,144,378,694	\$2,399,750	0.0391%	9.9%	14%	4.2%

Whilst there has been an increase in the total Declared Values for the group of approx. 10%, the underlying rate change is 4.2%. This is a good outcome and is recognition from these markets that Councils have listened in respect of the increase in values, and because the markets have confidence in these figures, this has mitigated the increase in the underlying rates.

For Waikato District Council, the individual changes are as follows.

Waikato District Council	Total Declared Values	Premium	Effective Rate	% change in Values	% change in Premium	% change in Effective Rate
2021	\$534,875,824	\$160,469	0.03%			
2022	\$677,281,300	\$211,284	0.0312%	26.6%	31.7%	4%

Public Liability and Professional Indemnity - Primary Layer Policies

These policies are rated on the individual Councils details, and take into account factors such as

- Total Revenue
- Claims
- Total number of Consents issued
- Total Staff Numbers

The table below shows the premiums required for this year compared to the last year

Policy	2021 Premium	2022 Premium	% Change
Public Liability	\$52,906	\$54,229	2.5%
Professional Indemnity	\$312,695	\$343,964	10%

This is the standard level of market increase that we were expecting to see for these policies.

Public Liability and Professional Indemnity Excess Layer

This policy provides additional cover in excess of the \$15M cover provided for under the Council's main Public Liability & Professional Indemnity policies.

The premium for this cover in 2021 was \$38,214, and in 2022, the premium was \$38,769.

Cyber

This policy provides cover for Cyber events, including the costs to reinstate systems following a Cyber event or breach, and liability arising from a cyber event or breach.

In 2021, the insurer was only prepared to offer a group Council policy with a group aggregate limit to limit their overall exposure to claims arising from Councils. This was due to a number of concerns around the security measures in place in relation to Council IT systems. Councils generally have put in place additional security measures, such as multi-factor authentication, since the 2021 renewal

This has satisfied the insurers concerns, and this year they were able to offer individual policies to most Councils.

The premium for this policy has increased from \$40,000 in 2021 to \$45,000 at the 2022 renewal. This increase is driven by the increased overall exposure in providing individual policies, as well as by increases in the frequency and severity of claims in this line of business.

Motor

For this year's renewal because of the underlying Inflationary pressures that the Motor insurers are having to combat, there has been a 7.5% increase in the underlying rate for the motor policy. There has also been an increase in the group fleet value as follows

- 2021 – 1290 Units - Total Declared Value - \$34,949,199
- 2022 – 1356 Units - Total Declared Value \$38,287,069

The changes to the Waikato District Council fleet figures and premiums are

Waikato District Council	2021	2022	\$ Change
Fleet Size	76 units	92 units	
Fleet Value	\$2,771,849	\$3,639,721	\$867,872
Premium	\$41,232	\$57,401	\$16,169

A full summary table follows comparing last year to this year for all policies showing all the premiums, excluding GST and Levies

PREMIUM SUMMARY TABLE

Waikato District Council

Policy	Premium 2021	Premium 2022
Material Damage & Business Interruption	\$ 446,996.29	\$ 493,231.00
Infrastructure Cover – 40% Placement	\$ 130,529.99	\$ 171,417.14
Infrastructure Cover – 30% Placement	\$ 29,938.52	\$ 39,883.31
Commercial Motor	\$ 41,232.41	\$ 66,981.88
Employers Liability	\$ 1,164.00	\$ 1,222.45
Statutory Liability	\$ 8,958.00	\$ 9,405.70
Fidelity/Crime	\$ 14,110.00	\$ 15,632.00
General Liability	\$ 52,906.00	\$ 54,229.01
Professional Indemnity	\$ 312,695.00	\$ 343,964.50
PI & PL - Liability Excess Layer	\$ 38,213.80	\$ 38,769.23
Cyber Liability	\$ 40,000.00	\$ 45,000.00
Boiler Explosion	\$ 500.00	\$ 500.00
Personal Accident	\$ 915.75	\$ 966.63
Aviation Hull (UAV's/Drones)	\$ 383.84	\$ 383.84
Airport Owners & Operators Liability	\$ 840.00	\$ 950.00
Trustees Liability (Gordonton Woodlands Trust)	\$ 1,323.00	\$ 1,390.00
Total Premium (excl GST & Levies)	\$ 1,119,621.04	\$ 1,236,386.20

To	Audit & Risk Committee
Report title	Annual Report Risk Assessment
Date:	15 March 2023
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To inform the Committee of the likely areas of focus for the upcoming audit of Council's Annual Report for 2022/23, and outline any issues or risks identified to date.

2. Executive summary

Whakaraapopotanga matua

Work is underway to prepare for the Annual Report and related audit. Audit New Zealand (Audit NZ) are in the process of compiling their audit plans for the sector, which will detail the areas of focus and lay out the proposed timetable for the completion of interim audit/s, final audit of the Annual and Summary reports and the audit opinion.

While the audit plan will not be available until the June committee meeting, the main areas of focus identified by Audit NZ in prior years are expected to carry forward to the 2022/23 audit and are therefore factored into our internal planning.

The likely areas of audit focus are:

1. The risk of management override of internal controls.

Audit NZ will test the appropriateness of selected journal entries, review accounting estimates and evaluate any unusual or one-off transactions.

2. Service performance reporting.

In the 2021/22 audit, Audit NZ identified that disclosures on Greenhouse Gas emissions performance measures are inadequate. It is anticipated that the disclosures and associated measurements will be reviewed for minimum compliance, acknowledging that there are significant uncertainties in calculating greenhouse gas emissions. Processes, reporting and assurance standards are still developing.

3. Valuation of assets.

The judgemental nature of asset revaluations, fair value assessments, and impairment assessments creates a risk of bias or error in the assumptions and inputs used. Due to the value of the asset classes in question, any bias or errors in the inputs used or calculations performed could result in a material misstatement of council's financial statements.

Audit NZ will:

- Assess the expertise and objectivity of the valuers,
- Review the valuation and peer review reports and make enquiries to understand the valuation methodologies used,
- Assess whether the valuation movements are reasonable, and
- Assess the reliability of the source data and reasonableness of assumptions.

4. Capital projects including work in progress.

Council continues to have a significant ongoing capital programme. Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects.

Audit NZ will review the accounting for costs incurred on capital projects, including:

- Reviewing assumptions and judgements used by management in classifying costs as either capital or operational in nature.
- Appropriate capitalisation point for completed assets, including transfers from work in progress.
- The reasonableness of depreciation rates and useful lives applied to asset components.
- The disclosures included within the financial statements, including those relating to capital commitments.

5. Impact of three waters reform.

Audit NZ will continue to monitor developments related to the three waters reform. If any substantive announcements are made before the financial statements are authorised for issue, there may be implications for Council.

Issues and risks identified by management:

In addition to the identified areas of audit focus, management have assessed that there are two areas that will need to be closely managed in delivering the audit.

6. Accounting software upgrade/changes

During the 2022/23 financial year the Technology One system, which the financials sit within, will migrate from on-premise hosting to software-as-a-service (SaaS). This process requires Council to move away from current sequel-based reporting and instead create new reports within the Technology One platform.

The finance team have focused on building month-end and year-end reports first, including reports used to support the audit process. These have been completed and tested in the on-premise version of the finance system and testing will commence shortly for the SaaS environment. Until the testing is completed satisfactorily there is some risk associated with the smooth transition of Annual Report/audit related reporting. The risk is deemed to be low to medium currently and will be monitored closely.

7. Timeline

Audit NZ have indicated that the audit will be planned with an adoption date of mid-late October 2023. While this provides staff with valuable time to manage significant processes such as asset valuations, it is probable that the audit will coincide with key long-term planning (LTP) milestones. The LTP project plan will need to allow contingency for possible finance resourcing constraints in October.

3. Staff recommendations Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Annual Report Risk Assessment.

4. Attachments Ngaa taapirihanga

There are no attachments for this report.

To	Audit & Risk Committee
Report title	Final Audit Report for the year ended 30 June 2022
Date:	15 March 2023
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

The attached report discusses the issues that arose during the Annual Report audit and related recommendations. This audit was undertaken by our independent auditors, Audit New Zealand (Audit NZ).

2. Executive summary

Whakaraapopototanga matua

Following the final audit, Audit NZ produce an audit management report which outlines the audit findings, highlighting both areas where Council are doing well and areas for improvement. This report is in addition to the report received following the interim audit work undertaken prior to the financial year end. Management has an opportunity to provide comment on each of the issues specified, based on management's understanding of the issues and whether they require further action or have already been addressed.

One new issue was raised in this year's audit management report regarding greenhouse gas emission disclosures. The disclosure issues will be improved as recommended for the 2022/23 audit. Audit NZ have confirmed progress with prior year items and closed some out. Actions are in place to resolve all outstanding items.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Final Audit Report for the year ended 30 June 2022.

4. Attachments

Ngaa taapirihanga

Attachment 1 – Report to the Council on the audit of Waikato District Council for the year ended 30 June 2022

Report to the Council on the audit of

Waikato District Council

For the year ended 30 June 2022

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Key messages

We have completed the audit of Waikato District Council (the District Council) for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

Audit report

We issued a non-standard audit report on 21 December 2022. Without modifying our opinion, we included two emphasis of matter paragraphs drawing attention to the disclosures in the financial statements about the impact of the Government's three waters reform on the District Council and the inherent uncertainties in the measurement of greenhouse gas emissions.

This means that we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Three waters reform

The three waters reform (reform) programme is expected to result in structural changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector. This could have a significant impact on the structure of the District Council.

Council included disclosures about the reform in the annual report. Given the significant impact the reform is likely to have on the District Council, we have included an emphasis of matter paragraph in our audit report to draw a readers' attention to this disclosure.

Greenhouse Gas (GHG) emissions performance measures

The District Council's 2021-31 Long-Term Plan included a measure and target to reduce greenhouse gas (GHG) emissions. An emphasis of matter paragraph has been included in our audit report to highlight the uncertainty that exists in measuring and reporting GHG emissions because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

Control environment

We performed a high-level review of the District Council's control environment. Overall, we are satisfied the control environment is effective for the purpose of undertaking an efficient and effective audit.


Asset valuations

An area of audit focus was the valuation of infrastructure, land and building assets. We reviewed the valuations to confirm that they were soundly based and had been correctly accounted for. We are satisfied that the valuations were correctly recorded in the District Council's financial statements.

We also followed up on the status of issues outstanding from previous audits. These matters are discussed further in Appendix 1.

Thank you

We would like to thank the Council, management, and staff for their continued assistance during the audit process. We appreciate the co-operation we received, and the way management worked with us during what was a challenging period for everyone.

A handwritten signature in blue ink, appearing to be 'Leon Pieterse', written in a cursive style.

Leon Pieterse on behalf of Clarence Susan
Appointed Auditor
10 February 2023

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.</p>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>The District Council improve their greenhouse gas emissions (GHG) disclosure in the annual report to include, at a minimum, the following:</p> <ul style="list-style-type: none"> clearly state which sources of emissions have been measured and what significant sources of emissions have not been measured and reported; provide sufficient information on the recognised standard or standards that were used as a basis for measuring GHG emissions, the consolidation approach applied, summary of specific exclusions of sources, facilities and/or operations, the methodologies and significant assumptions used to calculate or estimate GHG emissions; and describe the significant uncertainties relevant to the District Council's quantification of its GHG. 	2.1.2	Urgent

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	5	-	5
Implemented or closed	-	6	1	7
Total	-	11	1	12

2 Our audit report

2.1 We issued a non-standard audit report



We issued a non-standard audit report on 21 December 2022. This year, without modifying the audit opinion, we have included two emphasis of matter paragraphs in our audit report to draw attention to the disclosures in the financial statements about the impact of the Government's three waters reform on the District Council, and the inherent uncertainties in the measurement of greenhouse gas emissions.

This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

2.1.1 Impact of the three waters reform on the District Council

The Government is currently reforming the way water services will be delivered and is intending to pass legislation that will create four publicly owned water services entities that would take on responsibility for delivering water services to a specific geographical area, from 1 July 2024. These entities will own and operate drinking water, wastewater and stormwater (three waters) services across New Zealand. The Department of Internal Affairs is tasked with the successful implementation of these reforms, and will work with the local government sector, iwi, water industry and other stakeholders to ensure a smooth transition to the new arrangements. The District Council's participation in the proposed reform will be mandatory.

On 2 June 2022, the government introduced the Water Services Entities Bill in the House of Representatives. After the first reading on 9 June 2022 the bill was referred to the Finance and Expenditure Committee, which is to report back to the House of Representatives by 11 November 2022. The legislation received royal assent from the Governor-General on 15 December 2022 and in December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.

For the financial statements of 30 June 2022, the District Council continues to recognise its three waters assets. There has been no adjustment in the 2021/22 financial statements to reflect the expected future transfer of assets to the new water entity.

The District Council included detailed disclosure in the annual report about the reform and the uncertainty this creates in relation to the future operation of the three waters services. Given the significant impact the reform is likely to have on the District Council, we have included an emphasis of matter paragraph in our audit report to draw a reader's attention to this disclosure.

2.1.2 Inherent uncertainties in the measurement of greenhouse gas emissions

The District Council's 2021-31 Long Term Plan included a measure and target to reduce greenhouse gas (GHG) emissions. The release of impending reporting and auditing standards, and public interest in greenhouse gas emissions reporting has resulted in emissions reporting being a material area of focus for many public entities this year.

We considered whether the performance measure was a material measure for the District Council. It was determined that it was not a material performance measure as the emissions reported is an extremely small subset of the District Council's overall emissions.

The District Council has included disclosure in the annual report about their emissions. Due to the inherent uncertainties in the measurement of its greenhouse gas emissions we have included an emphasis of matter paragraph in the audit opinion to highlight the disclosures made by the District Council in the annual report. We reviewed the disclosures included in the annual report and are satisfied the disclosures adequately disclose the emissions reported.

To improve the disclosure of the District Council's GHG performance measure in the annual report, we recommend the District Council include the following as a minimum;

- clearly state which sources of emissions have been measured and also what significant sources of emissions have not been measured and reported;
- provide sufficient information on the recognised standard or standards that were used as a basis for measuring GHG emissions, the consolidation approach applied, summary of specific exclusions of sources, facilities and/or operations, the methodologies and significant assumptions used to calculate or estimate GHG emissions; and
- describe the significant uncertainties relevant to the District Council's quantification of its GHG.

Management comments

We will improve the disclosure of the District Council's GHG performance measure in the annual report, as outlined above.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Expenditure	1				(899,113)
Accounts payable			899,113		
Total parent and group			899,113		(899,113)

Explanation of uncorrected misstatements

- 1 This relates to a projected misstatement for an invoice that was recorded in the incorrect financial period.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. A list of these misstatements has been supplied separately to management.

2.4 Quality and timeliness of information provided for audit



Management is required to provide information for audit. During 2021, Audit New Zealand implemented AuditDashboard, an online tool that allows for easier collaboration and file sharing between our teams and for easy tracking of audit document requests.

AuditDashboard was used again during the audit of the 2022 financial statements and statement of service performance information. The management team provided us with the documents and information requested on a timely basis and by the due dates set. This allowed the resourced phase on the audit to proceed efficiently and reduced the level of interruption to the management team.

3 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures, and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

Overall, we concluded that the control environment is effective.

3.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented, and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We found that the controls are design effective and have been operating effectively throughout the period, to enable us to plan and undertake a controls reliance audit.

4 Matters raised in the Audit Plan



In our Audit Plan of 12 May 2022, we identified the following matters as the main audit risks and issues:

4.1 Revaluation of land, buildings and infrastructure assets (measured at fair value)

The District Council periodically revalues land, buildings and infrastructure assets. 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 materially from fair value.

The District Council engaged independent valuers to value their infrastructure, land and building assets. The revaluations were performed as at 30 June 2022, for recognition in the 2021/22 financial year.

To gain assurance over the valuation of property, plant, and equipment we:

- assessed the external valuer's expertise and objectivity, and obtained representations from the valuers that the valuations were conducted in accordance with accepted professional valuation standards;
- reviewed the valuation and peer review reports and made enquiries of the valuers to obtain an understanding of the valuation methodologies used;
- assessed whether the valuation movements were reasonable and consistent with our expectations; and
- assessed the reliability of source data and the reasonableness of assumptions used. This included reviewing the basis of unit rates against recent contract information to ensure these were soundly based on current costs.

Our review found that the valuation adopted by the District Council was supportable and valuation movements were consistent with our expectations.

4.2 The risk of management override of internal controls

Management is a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in an inherent risk of a material misstatement due to fraud, which audit standards require us to consider in every audit.

To address the risk of management override, we carried out substantive audit procedures. These included reviewing journal entries, accounting estimates and significant transactions that were outside the normal course of business.

We did not identify any matters of concern to bring to your attention.

4.3 Software as an Accounting Service (SaaS)

The IFRS Interpretations Committee has published decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for. This deals with specific circumstances in relation to configuration and customisation costs incurred in implementing SaaS and whether these costs should be capitalised or expensed.

We reviewed the District Council's assessment on whether their accounting policy is consistent with the IFRS Interpretations Committee published decisions clarifying how arrangements in respect of a specific part of cloud technology (SaaS) should be accounted for.

The assessment showed how the costs should be allocated to the relevant categories of expenditure (intangible assets, prepayment or immediate expense). As a result of this assessment, there have been no changes required in the District Council's accounting treatment to align existing practice with the agenda decision.

4.4 Major capital projects

The District Council continues to have a significant ongoing capital programme. Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the risks to accurate reporting in the financial statements associated with capital projects.

There is a risk that the financial balances for work in progress (WIP) and property, plant and equipment related to the District Council's capital programme may be misstated if:

- the classification between operational and capital costs on initial recognition is incorrect;
- subsequent impairment of WIP is not identified and recorded; and
- assets are not capitalised in a timely manner on completion.

Our audit of capital costs included the following:

- We reviewed the processes used by management to assess and account for work in progress;

- We reviewed management's impairment assessments, including the significant assumptions used by management in determining whether any impairment has occurred;
- We selected a sample of costs incurred during the year to ensure these are capital in nature, are correctly classified in the annual report, and complied with the accounting policy; and
- We reviewed costs transferred out of work-in-progress on completion and ensured these have been correctly accounted for and appropriate useful lives and commission dates have been applied on commencement of depreciation.

No areas of concern were identified through our testing

5 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

No concerns were identified from our review of the District Council's transactions that need to be brought to your attention.

6 Group audit



The group comprises:

- Waikato District Council; and
- Waikato District Community Wellbeing Trust.

We have not identified any of the following during our audit for the year ended 30 June 2022:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Procurement processes and procedures		
<p>Procurement policies and procedures are reviewed and updated in a timely manner.</p> <p>We also recommended sufficient training be provided to relevant staff who are involved in procurement activities.</p>	2019/20	The District Council is in the process of updating their procurement policies and procedures.
Regular review of network users are not being performed		
<p>Regular reviews and reporting be carried out on the network, and within applications, to ensure that only current, approved users have access. These reviews could include automated weekly reports of users who have not logged in for a period of time.</p>	2018/19	<p>A manual monthly review of Azure Active Directory (AAD) user accounts is now performed together with a manual monthly review of Active Directory (AD) accounts. These reviews attempt to identify all user accounts that have been inactive for 60 days. However, this is a manual process performed by the Service Desk and it is recognised as being only partially compensating for a full, regular, manual review which would be too high on overhead.</p> <p>A more complete and integrated control is dependent upon the implementation of the District Council HRIS application system which includes 'Role Based Security'.</p>
Contract management		
<p>The District Council:</p> <ul style="list-style-type: none"> develops and implements a fully functional contract management system; updates the policy and guidance documents covering contract management activities; 	2015/16	Phase One of the Technology One Contract Management System (CMS) implementation was completed in May 2022. This provides a centralised system which captures contract information across the business.

Recommendation	First raised	Status
<ul style="list-style-type: none"> has a dedicated individual or team in place with responsibility for oversight of contract management activities; and puts in place a centralised contract management system, which captures all contract information. 		<p>Planning for Phases 2 and 3 of the CMS development is underway which will add further functionality.</p> <p>The Contracts and Compliance team provides oversight of/support for contract management activities.</p> <p>A guidance document suite and Contract Management Process was added to Promapp in October 2021. This is currently under review.</p>
IT change management		
<p>Change management procedures are implemented and all changes are logged and approved before they are made to live systems.</p>	2014/15	<p>Some 'Change Management' components, such as 'ManageEngine' (a software tool to record and manage changes), have been delivered. However, due to resource constraints and higher priority initiatives within the District Council plan the IT Change Management initiative has been deprioritised.</p>
Business continuity and IT Disaster Recovery planning		
<p>Develop and test organisational business continuity plans. This planning should drive the development of an IT Disaster Recovery Plan. Plans should also be tested on a regular basis to ensure they are still meeting the organisations objectives for acceptable risk and levels of services to its customers.</p>	2011/12	<p>Progress has been made on an IT Disaster Recovery Plan with the backup datacentre in Tuakau, being fully operational. Further, the organisational BCP and the IT DRP have been updated with learnings from the Covid-19 pandemic.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Useful lives for bridge assets		
The District Council updates RAMM for bridge culverts to reflect the data per WSP spreadsheets.	2020/21	The useful lives for bridge culverts has been updated in the RAMM database to reflect the data from the valuation performed as at 30 June 2022.
Processing work in progress		
Remind staff of the importance of processing work in progress in a timely manner to ensure reporting of property, plant, and equipment (including depreciation) is up to date and accurate in the financial statements. Many of these projects were land assets, therefore we recommend the District Council considers revaluing land and buildings in the next financial year.	2020/21	No issues identified from our testing of work in progress. The District Council has performed a valuation of their land assets as at 30 June 2022.
Property, plant and equipment		
The District Council ensures all capital expenditure is approved by individuals with the appropriate delegated authority limits. The useful lives of assets in the asset management system are reviewed to ensure that they align with actual asset lives in the field.	2020/21	No issues identified from our testing of capital expenditure. A review was also performed on ensuring useful lives in the asset management system were consistent with the actual lives in the field.
Rates resolution unclear on goods and services tax (GST)		
The District Council explicitly states in the rates resolution whether GST is included in the rates amounts.	2020/21	The 2022/23 rates resolution has been updated to explicitly state that GST has been included in the rates amount.

Recommendation	First raised	Status
Review network administrators accounts and network directory organisational units		
<p>A review of the Domain administrator network accounts be done and any redundant accounts removed.</p> <p>A review of the Organisational Units on the network and accounts within those structures should also be completed and accounts moved into their correct areas.</p> <p>Any redundant accounts should also be removed.</p>	2017/18	<p>A review was performed and we found that accounts with 'Domain Administrator' privileges are only provided to approved IM team members and all redundant accounts have been removed. We also noted that generic administration accounts (e.g. 'Administrator') are no longer used.</p>
All devices have virus definition updates and patches applied		
<p>Ensure all devices have virus definition updates and patches applied.</p>	2013/14	<p>We found that substantial improvements have been made to improve protection for the District Council systems from cybersecurity threats.</p>
Beneficial		
Sensitive expenditure policy		
<p>The District Council undertakes a review of its sensitive expenditure policy with a view to aligning the policies with the Office of the Auditor's General Controlling sensitive expenditure guidelines.</p>	2020/21	<p>The sensitive expenditure was updated to reflect guidance provided by the OAG.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed, and assurance engagements in relation to procurement of significant contracts, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$192,948, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$39,067, for review of the District Council's debenture trust deed, and reviews of selected procurement arrangements, probity review and ad hoc support.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

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To	Audit & Risk Committee
Report title	Quality and Governance Assurance
Date:	6 March 2023
Report Author:	Madelina Baena-Escamilla, Continuous Improvement Analyst Bessie Clarke, Corporate Planner Lynn Shirley, Zero Harm Manager
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

The purpose of this report is to update the Audit and Risk Committee on the status of those activities within the programmes designed to provide quality improvement and assurance at Council. It covers:

- Business Process Improvement Programme;
- Internal Audit activity; and
- Independent Audit New Zealand and other provider reviews.

2. Executive summary

Whakaraapopototanga matua

- There are two major non-conformances outstanding from the completed audits in 2021, all of which are planned to be addressed by the end of March 2023. All other non-conformances have been addressed.
- The focus over the past quarter has been supporting the business in key areas where change is imminent. In particular ensuring processes are current and updated where systems are being changed. This does include a focus on controls. A key change is the upgrade to the Cloud of our primary business system of TechOne.

The Internal Audit Schedule for 2023 has been impacted by the above repriorisation of focus. Staff resignations have also had an impact. The Committee's directive of securing a full time internal audit resource is noted and being progressed.

- Twenty-eight policies are currently being reviewed, and two policies have been revoked.
-

- There are 223 issues that various audits have raised across the organisation, 169 (76%) of which are complete.
- 28 (97%) of the 29 actions received from the KPMG Health & Safety Governance Audit have been addressed. The Zero Harm team will complete the last action by June 2023.
- Waikato District Council had a Full Audit IANZ accreditation assessment of our Building Consent Authority function in February 2023. A total of 13 General Non-Compliances (GNC's) and 3 Serious Non-Compliances (SNC's) were identified at the assessment. An action plan is being created to address the Non-Compliances.

3. Staff recommendations Tuutohu-aa-kaimahi

That the Audit & Risk Committee receives the Quality and Governance Assurance update.

4. Discussion Matapaki

4.1. Business Process Improvement Programme

4.1.1. Internal Audit Schedule (2022/2023)

The internal audits scheduled for the first quarter of 2023 have been delayed due to a refocus on supporting our transition to the Cloud and hence process and business improvement for this. Five internal audits are now scheduled to be completed by May 2023.

We note that internal auditor capacity has again reduced due to staff resignations and current staff workload. We currently only have seven trained internal auditors. This approach is being revisited with a full time internal audit resource being progressed. This resource will also complement the KPMG resource for key strategic audits.

4.1.2 Internal Audit Schedule (2021)

Only 2 major non-conformances from the internal audit of the Zero Harm management system against ISO45001 are still outstanding. The actions to address those non-conformances are related to roles and responsibilities in the Zero Harm Management System. The ZHSMS Overview is nearly complete and will be finalised by March 2023 ready for publication on the new Waisite.

A dashboard summary of internal audit outcomes for 2021 is presented in Table 1, including the number of internal audits planned and undertaken, the findings, and the number of outstanding non-conformances.

Table 1 - Outcome of the 2021 Internal Audit schedule

Team	Internal Audits - Planned	Internal Audits - Undertaken	Major Non-Conformances	Minor Non-Conformances	Recommendations	Outstanding Non-conformances
Total			9	5	39	2
Customer Support - Consents	1 Audit 2 Processes	1 Audit 2 Processes	0	2	4	0
Community Safety - Environmental Health	5 Audits 16 Processes	5 Audit 16 Processes	0	0	9	0
Risk Management Processes	1 Audit 5 Processes	1 Audit 5 Processes	2	1	5	0
Zero Harm	1 Audit All ZH Management System	1 Audit All ZH Management System	7	2	5	2
Projects & Initiatives	1 Audits 7 Processes	1 Audits 7 Processes	0	0	16	0
Red	Major Non-conformances haven't been addressed					
Orange	Minor Non - Conformances haven't been addressed					
Green	All Non - Conformances have been addressed / There were no Non - Conformances					

4.1.3 Policy Review

The work programme for reviewing internal and external Council policies is progressing as follows:

Policies published and/or reviewed and updated in the last three months:

Other policies currently being created or reviewed are:

- Appointments to Community Boards and Other Committees Policy
 - Appointing Directors and Trustees to Council Controlled Organisations Policy
 - Asset Management Policy (previously the Activity Management Policy)
 - Cellular Network Site Policy
 - Conferences and Seminars Policy – Attendance and Payment of Expenses (including Local Government NZ Conferences)
 - Development Contributions Policy
 - District Tree Policy
 - Easements Policy
 - Funding for Road Closures for Community Events Policy (*due to be revoked at 7 March Policy and Regulatory Committee meeting*)
 - Grass Verge Policy
 - Heritage Policy
 - Leasing of Reserve Land Policy
 - Leases to Individuals and Commercial Organisations Policy
 - Licenses and Grazing Policy
 - Local Alcohol Policy
 - Notable Tree Policy
 - Open Spaces Policy
-

- Plaques, Memorial and Monuments Policy
- Property Management Policy
- Reimbursements for Elected Members Policy
- Road Closure for Motor Sport Events Policy
- Road Naming Policy
- Significance and Engagement Policy
- Sponsorship of and Advertising on Council Properties and Assets Policy
- Strategic Land Acquisition and Disposal Policy
- Te Reo Maaori Policy
- Vehicle Entrance Policy
- Wheelie Bin Policy

Policies revoked

- Relocatable Home Parks and Camping Grounds Policy 2009
- Street Lighting and Other Security/Amenity Lighting Policy 1997

Policies scheduled to be reviewed in the following months:

- Development Contributions Policy

4.1.4 Improvement Forum

- The Continuous Improvement Agents continue to promote Continuous Improvement (CI) and help process owners and experts manage and review their business processes. We are working towards our objective for 2023 to keep our processes 'current' to focus on improvement and reduce the number of draft processes to a minimum.
 - Process mapping training continues to be delivered online. In the past three months, 19 new starters have been trained as part of their induction, and 10 process authors have been trained in process creation training.
 - Innovation and Improvement initiatives currently being progressed include:
 - Monitoring Team: Work has been completed, current processes were streamlined, and new processes created.
 - Zero Harm. We have created an audit tool to support auditing against ASNZS 45001:2018 standard for the annual audit.
 - Streamlining the travel booking process to gather accurate data and reduce the time and resources required for travel bookings.
 - Transitioning rates and water invoices to email. This will result in savings in printing, handling and postage costs. This process is also helping improve customer data quality
-

- Solid Waste: Data cleansing of property records. This will then ensure that targeted rates are correct and that data is available for self service customer queries. We are also improving processes to remove unnecessary steps to improve the customer's experience
- Building Quality optimisation of existing processes has been completed.
- The ePlanning strategy has been approved, and a detailed planning is being undertaken to understand the impact on resources, existing project scope, budget.
- Reserves Planning and Strategic Property: Data currently in spreadsheets will be added into P&R modules. Users will be able to maintain their own data without the requirement to have the rates team do it for them. Data will also be visible to other teams.

4.2 Independent Audit Activities

The table below outlines the areas and status of issues – either completed or in progress since the last report in December 2022.

Table 3 reflects those staff consider are completed or work in progress.

Table 3 - Areas of audit issues- December 2022

	Pending	Work in progress	Complete	Total
Audit New Zealand	0	2	42	44
Cyber security	0	41	36	77
Internal audit	0	0	5	5
Procurement and contract management	0	0	15	15
Risk management	0	0	37	37
Project management	0	0	33	33
Information and Record Management	4	7	1	12
Total	4	50	169	223

There are a total of 223 issues that have been raised by various audits across the organisation, 169 of which are now complete. Since the last meeting 34 new actions have been identified from audits which will now be a focus for completion.

4.3. KPMG Health and Safety Governance Audit

The Zero Harm team continues to progress the completion of the actions from the KPMG Health & Safety Governance Audit. Council received 29 improvement actions and to date 97% (28 actions) have been actioned. There has been no further progress on the below activity that is scheduled for completion mid 2023

Proposed Corrective Action	Timeframe	Current Status	Action Owner
Work with those ELT members who are yet to attend to the internal People Leader Health and Safety training modules. Schedule training for them and their People Leaders.	Jun 2023	Work planned for completion mid 2023 when People Leader Zero Harm training is planned is to be undertaken. The corrective action is on track for delivery by June 2023.	Lynn Shirley

4.4. External Audits carried out in Customer Support Group

4.4.1. Building Consent Authority (BCA) IANZ Special Monitoring Audit

Waikato District Council had a Full Audit IANZ accreditation assessment of our BCA function from the 7th to the 10th of February 2023. A total of 13 General Non-Compliances (GNC's) and 3 Serious Non-Compliances (SNC's) were identified at the assessment.

Of the GNC's, 8 are in relation to a tidy up of our written procedures, and 3 are in relation to clock management despite being acceptable at the previous assessment. Of 2 SNCs, 1 was in relation to our adherence to the 20-day statutory timeclock which also identified at the last audit and, the other was in relation to consents not being lapsed 12 months after the date of issue also identified at the last audit, both these are symptomatic of resource issues in the team. There were 2 GNCs and 1 SNC that will require CoLAB to assist us in clearing, these are around the quality assurance and auditing functions they're to carry out for us.

Currently the Building Quality Team are writing an action plan for clearing the non-compliances that will be submitted to IANZ for approval by 10th March. The team believe the non-compliances will be straight forward to resolve and they have full confidence that our accreditation can be maintained with CoLABs assistance in being able to address their portion promptly. The due date to clear the Non-Compliances is the 8th of May.

5. Attachments Ngāa taapirihanga

There are no attachments for this report.

To	Audit & Risk Committee
Report title	Future Work Programme
Date:	Monday, 6 March 2023
Report Author:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report **Te Take moo te puurongo**

To provide the Committee’s work programme for information.

2. Staff recommendations **Tuutohu-aa-kaimahi**

THAT the Audit and Risk Committee receives the Future Work Plan update for March 2023.

3. Attachments **Ngaa taapirihanga**

Attachment 1 – A&R Future Work Programme 2023

	March 2023	June 2023	September 2023	December 2023	Standing items for all meetings
Risk	<p>Risk Assessment of Council Controlled Organisations Statements of Intent</p> <p>Strategic Risk Register Review (workshop April)</p> <p>Annual Risk Appetite Review (workshop April)</p>	<p>CAPEX delivery Update</p> <p>Health & Safety Framework Review</p>	<p>Update on Communications risk and mitigations plan</p>	<p>Risk Management Framework review</p>	<ul style="list-style-type: none"> ▪ Chief Financial Officer Report Update on risks and issues that could impact council and its stakeholders from a financial perspective, including insurance and procurement matters. ▪ Strategic Risk Register and Emerging Risks Update on key strategic risks and associated management actions, including trajectory of risk assessment. Opportunity to discuss emerging risks with potential for strategic impact. ▪ Risk Conversations Opportunity for Committee to dialogue with key staff to obtain assurance that appropriate controls and culture are in place. ▪ Strategic Risk Deep Dive Detailed inspection of a key risk for the purpose of assurance. ▪ Zero Harm Update Health & Safety performance update against agreed targets, systemic issues identified which can be fed into the risk control framework. To include monthly statistics. ▪ Quality Governance and Assurance Progress against audit issues and rolling review of bylaw & policies: <ul style="list-style-type: none"> - Anti-fraud and corruption framework (and related policies) - Health & Safety Policy - Risk Management Policy - Treasury Risk Management Policy ▪ Post Implementation Reviews and/or Incident Debrief Reports Post project appraisals on key investments. ▪ Zero Harm Site Visits Six monthly and separate day to meeting
Internal Audit	<p>Internal Audit (Waka Kotahi Audit)</p>	<p>Internal Audit Framework Review</p> <p>Internal Audit Work Programme</p>	<p>Internal Audit TBC</p>		
Insurance	<p>Insurance Policy / Premium Confirmation</p>				
Annual Report	<p>Annual Report Risk Assessment</p> <p>Final Audit Management Report (one off timing due to Audit NZ delays)</p>		<p>Annual Report Process Review</p>		
Other		<p>KPMG attendance to observe effectiveness of Committee meeting.</p>	<p>Audit & Risk Committee Key Achievements Review of Committee performance against Terms of Reference</p> <p>Committee Terms of Reference review</p> <p>Committee Performance Evaluation Survey Results</p>	<p>Fraud and corruption risk management update</p>	

Strategic Risk Deep Dives

- People and Culture
- Zero Harm
- Cyber Security
- Community Expectations

- Affordability
- Technical Capability
- Workplace Culture
- Business Resilience

- Project Delivery
- Climate Resilience
- Regional & National Strategic Planning & Legislative Reform

To	Audit & Risk Committee
Report title	Register of Interests – Council
Date:	Tuesday, 7 March 2023
Report Author:	Gaylene Kanawa, Democracy Manager
Authorised by:	Gavin Ion, Chief Executive

1. Purpose of the report

Te Take moo te puurongo

The purpose of this report is to provide a summary of interests declared by elected and appointed members of Council and independent members of committees.

Advising the Committee that the Democracy Team have not received all the interest forms from Councillors and will follow these up prior to the next Audit & Risk meeting.

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Audit & Risk Committee receives the Council Register of Interests for March 2023.

3. Attachments

Ngaa taapirihanga

- A Financial Interests – Statement Reference
 - B Register of Elected Members Interests
-

Financial Interests	
Statement Reference	
1	I am, or my spouse or partner is, a party to a contract with Waikato District Council
2	I, or my spouse or partner, individually or together own(s) 10% or more of the shares in a contracting company or controlling company .
3	I am, or my spouse or partner is, a shareholder in a contracting company or controlling company, AND either I am, or my spouse/partner is, also a shareholder of the controlling company .
4	I am, or my spouse or partner is, a managing director or a general manager of a contracting company AND either I am, or spouse/partner is, also a shareholder of the controlling company .
5	I, or my spouse or partner, individually or together, has/have an indirect concern or interest in a contract with Waikato District Council not already disclosed above.
6	If you answered 'Yes' to any of questions 1 to 5, does the total value of all contracts listed above, exceed \$25,000 (including GST) for the current financial year.

Register of Elected Members Interests											
COUNCIL	Financial Interests			Non - Financial Interests							
	1 to 6	With the exception of	Director/Manager	Financial Interests	Employment/Paid Positions	Trustee/Beneficiary	Other Bodies	Property	Gifts (received since October 2022)	Payments for activities and services (since October 2022)	Debts
Eugene Patterson	No	N/A	N/A	N/A			*President - Ngaruawahia Rugby League Club *Committee Member - Ngaruawahia Bowling Club	*2x Ngaruawahia (Owner)	N/A	N/A	N/A
Marlene Raumati	No	N/A	Mcnally Truckpainters (Panel-paint)	N/A	N/A	N/A	N/A	N/A		N/A	N/A
Vern Reeve					<ul style="list-style-type: none"> VL Reeve Property Ltd (Director) Ray White Pukekohe Southern Corridor 	<ul style="list-style-type: none"> The Reeve Family Trust The Ski Trust 	<ul style="list-style-type: none"> Tuakau Business Association Tuakau Rotary Club Tuakau Emergency Services Charitable Trust 	1x Tuakau (Owner)		N/A	N/A
Lisa Thomson	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A
Peter Thomson					P&A Thomson Ltd (Director)		N/A	1x Farm/Property (Owner)		N/A	N/A
Tilly Turner					<ul style="list-style-type: none"> Mighty Fine Products/Taana Mussel Fritters (Director) Power Up Ltd (Director) Waikato Raupatu Lands Trust Te Puni Kokiri 	<ul style="list-style-type: none"> Waikato Raupatu Lands Trust Hone & Miriama Turner Whanau Trust Rawiri Whanau Trust 		1x (Beneficiary) - location not specified		N/A	N/A
David Whyte	No	N/A	N/A	<ul style="list-style-type: none"> National Australian Bank (Bank) Farmlands Loop Ltd (Farm Supplies) 							

To	Audit and Risk Committee
Report title	Exclusion of the Public
Date:	Monday, 7 March 2023
Report Author:	Rosa Leahy, Democracy Advisor
Authorised by:	Gaylene Kanawa, Democracy Manager

1. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Audit and Risk Committee:

- a. exclude the public from the following parts of the proceedings of this 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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number PEX 2 Confirmation of Minutes Item PEX 3.1 Fraud Declaration Item PEX 3.2 ComplyWith Survey Item PEX 3.3 Risk Assessment of Council Controlled Organisations – Statements of Intent Item PEX 3.4 Register of Interests - Senior Staff Item PEX 3.5 Audit NZ Time with Committee	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

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

Item No.	Section	Interest
Item PEX 3.1 Fraud Declaration	7(2)(a) 7(2)(c)(ii)	To protect the privacy of natural persons, including that of deceased natural persons. To 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— (ii) would be likely otherwise to damage the public interest.
Item PEX 3.2 ComplyWith Survey	6(a)	To protect the maintenance of the law.
Item PEX 3.3 Risk Assessment of Council Controlled Organisations - Statements of Intent	7(2)(f)(i)	To maintain the effective conduct of public affairs through free and frank expression of opinion
Item PEX 3.4 Register of Members' Interests - Senior Staff	7(2)(a)	Protect the privacy of natural persons, including that of deceased natural persons.
Item PEX 3.5 Committee Time with Audit New Zealand	7(2)(c)(ii)	To 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 would be likely otherwise to damage the public interest.

- b. **THAT Ms Macown and Mr Susan from Audit NZ be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of audit requirements for Waikato District Council. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter to inform and advise the Committee members.**

2. Attachments

Ngaa taapirihanga

There are no attachments for this report.
