Waikato
DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 10 AUGUST 2016** commencing at **9.00am**.

Information and recommendations are included in the reports to assist the Board in the decision making process and may not constitute Council's decision or policy until considered by the Board.

1.   APOLOGIES AND LEAVE OF ABSENCE

2.   CONFIRMATION OF STATUS OF AGENDA

Representatives from KPMG will be in attendance to discuss item 6.1.

3.   DISCLOSURES OF INTEREST

GJ Ion
CHIEF EXECUTIVE
Agenda2016\A&R\160810 A&R OP.docx

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion
	Chief Executive
Date	1 August 2016
Prepared by	Rose Gray
	Council Support Manager
Chief Executive Approved	Y
DWS Document Set #	1570440
Report Title	Confirmation of Minutes

1. EXECUTIVE SUMMARY

To confirm the minutes of the Audit & Risk Committee held on Friday 8 July 2016.

2. RECOMMENDATION

THAT the minutes of the Audit & Risk Committee held on Friday 8 July 2016 be confirmed as a true and correct record of that meeting.

3. ATTACHMENTS

Audit & Risk Committee Minutes

Waikato
DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia held on **FRIDAY 8 JULY 2016** commencing at **9.00am**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson *[from 10.00am]*
Cr JC Baddeley
Cr JM Gibb
Cr WD Hayes

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (General Manager Strategy & Support)
Mrs RJ Gray (Council Support Manager)
Ms A Diaz (Finance Manager)
Mr K Abbott (Organisational Planning & Project Support Team Leader)
Mr V Ramduny (Strategy & Planning Manager)
Mrs K Jenkins (Project Management Advisor)
Mr J Hudson (Database Administrator)
Mr A Kuyper (Project Management Advisor)
Mr N Kotze (Audit Manager Audit New Zealand)
Mr K Lockley (Zero Harm Manager)
Ms M Baena-Escamilla (Continuous Improvement Analyst)
Mr A Ketley (Executive Director AON Risk Solutions)
Mr G McIntosh (Tonkin + Taylor)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Gibb/Baddeley)

THAT an apology be received from and leave of absence granted to Cr Sedgwick;

AND THAT an apology for lateness be received from His Worship the Mayor.

CARRIED on the voices   **A&R1607/01**

It was noted that Mr Pieterse (Director Audit New Zealand) was unable to attend the meeting and had emailed the Chair in advance of the meeting.

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Baddeley/Hayes)

THAT the agenda for a meeting of the Audit & Risk Committee held on Friday 8 July 2016 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 8 which shall be discussed with the public excluded;

AND THAT in accordance with Standing Order 3.7.2 the order of business be changed to consider reports in the public excluded section when appropriate.

CARRIED on the voices   **A&R1607/02**

DISCLOSURES OF INTEREST
There were no disclosures of interest noted.

CONFIRMATION OF MINUTES
Resolved: (Crs Gibb/Hayes)

THAT the minutes of a meeting of the Audit & Risk Committee held on Wednesday 23 March 2016 be confirmed as a true and correct record of that meeting.

CARRIED on the voices   **A&R1607/03**

MATTERS ARISING FROM THE MINUTES

There were no matters arising from the minutes.

REPORTS

Strategic Risk Register Update
Agenda Item 6.1

It was noted that representatives from KPMG were unable to attend the meeting today and therefore an additional Audit & Risk Committee meeting would be scheduled for further discussion on the strategic risk review and other issues.

The report was taken as read. The Project Management Advisor briefly outlined the WDC Organisational Risk Management Awareness project.

Resolved: (Crs Baddeley/Hayes)

THAT the report from the General Manager Strategy & Support be received;

AND THAT the committee support the conduct of a risk maturity assessment being carried out.

CARRIED on the voices   **A&R1607/04/1**

Project Management Audit Report
Agenda Item 6.2

The report was taken as read. The General Manager Strategy & Support spoke of an additional piece of work being completed to assess Council's current project management tool relative to best practice. It was noted that the current project management framework had delivered the majority of 'Our Plan' projects during the year.

Audit NZ agreed that good practice was being addressed.

The Chair advised of the importance of the document received from Deloittes noting good project management. It is a staged approach with accreditation to flow through and indicate who has the necessary skills for the project.

The Chair spoke of the need to have a strong management culture in the business and understand the issues such as risk, and health and safety. An action plan needs to be put in place to address issues to be completed.

Resolved: (Crs Hayes/Gibb)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/2**

Contract Management - Review
Agenda Item 6.3

The report was taken as read. The Procurement Manager provided an overview regarding recent activity, being interviews with stakeholders and training programmes. He wanted to see an increase in staff participation in these training programmes.

It was suggested that a working group be formed to review the templates in place. A relatively broad based team is required that may also include staff from other councils.

Mr Kotze advised that this is a typical project and going forward encourages Councils to work together.

The Chair advised that good contract management will add important value to Council and staff should avoid over complicating templates and work towards best practice.

Resolved: (Crs Baddeley/Gibbs)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/3**

Draft Anti-Fraud and Corruption Strategy
Agenda Item 6.4

The report was taken as read. The Finance Manager spoke of issues arising with a culture shift when implementing a strategy that deals with money and the importance of understanding the process.

Resolved: (Crs Hayes/Gibb)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/4**

Update on Progress Against Final Management Report for Year Ended 30 June 2015
Agenda Item 7.1

The report was taken as read. The Corporate Planner noted a reduction in outstanding issues since the last management report.

Mr Kotze advised that there had been no issues with the control environment and testing that had been carried out during the recent internal audit.

Resolved: (Crs Hayes/Gibb)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/5**

His Worship the Mayor entered the meeting at 10.00am following discussion on the above item and was not present when voting took place.

2015/16 Annual Report Risk Assessment
Agenda Item 7.2

The Finance Manager provided a brief overview of the report advising there were no issues, but she was aware of a medium risk around the contract management system. She highlighted the timing risks with Strada Corporation Limited for the audit timeframes.

It was noted that the Annual Report was in the process of being written with internal resources. The committee will receive a copy of the annual report for review and comment in due course.

Resolved: (Cr Baddeley/His Worship the Mayor)

THAT the report of the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/6**

Update on Internal Audit and Quality Improvement
Agenda Item 7.3

The report was taken as read, The Continuous Improvement Analyst provided a brief overview. When questionned she advised that the organisation was making good progress on documenting processes, and the Service Delivery group were currently working on many processes.   She advised that the Scada Treament Plant audit had now been closed.

The Chair noted the business continuity processes that were being created (eg Scada – exposed reputational wise), and that the crisis management framework had been presented to the Executive Team. The Chair requested an updated internal audit status activity report be provided to the next meeting.

Resolved: (Crs Gibb/Baddeley)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/7**

Cyber (Information & Communication Technologies) Security Risk Assessment Update
Agenda Item 7.4

The report was taken as read. The Project Management Advisor provided a brief overview.

The Database Administrator provided an overview of expanding the disaster recovery backup system and expressed concerns with the speed of the network between the offices of Ngaruawahia and Tuakau owing to the geographic situation.

The Chair acknowledged the business continuity testing included for the alternate site, and requested a further update once this had progressed.

Resolved: (Crs Baddeley/Gibb)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/04/8**

Zero Harm Programme Update
Agenda Item 7.5

The report was taken as read. The Zero Harm Manager recognised Council having achieved Tertiary Status regarding the ACC WSMP programme. The Zero Harm Manager provided an overview on the protocol in place with the Alliance, draft Drug & Alcohol Testing Policy and contractors' information being included in the Council matrix.

Resolved: (Crs Gibb/Hayes)

THAT the report from the Chief Executive be received.

CARRIED on the voices   **A&R1607/04/9**

The meeting was adjourned at 10.34am and resumed at 10.51am.

Exclusion of the Public
Agenda Item 8

Resolved: (Crs Baddeley/Hayes)

THAT the report of the Chief Executive – *Exclusion of the Public* **– be received;**

AND THAT Ms Devlin, (Chair), Mr Kotze (Audit New Zealand Representative) Mr Ketlley (AON), and Mr McIntosh (Tonkin + Taylor) remain in the meeting to facilitate discussion on confidential report items;

AND FURTHER THAT the public be excluded from the meeting during discussion on the following items of business:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(f)(i)(ii)(g)	Section 48(1)(a)(i)(ii)(b)(i)(ii)(d)

Reports:

a.   Waikato District Earthquake Loss Modelling

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(f)(i)(ii)(g)(h)(i)(j)	Section 48(1)(a)(i)(ii)(b)(i)(ii)(c)(d)

b.   Cash Handling Internal Audit Recommendation Update

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(f)(i)(ii)(g)(h)(i)(j)	Section 48(1)(a)(i)(ii)(b)(i)(ii)(c)(d)

CARRIED on the voices   **A&R1607/05**

Resolutions A&R1607/06 – A&R1607/07 are contained in the public excluded section of these minutes.

REPORTS *Continued…*

Zero Harm Guide Checklist Responses
Agenda Item 7.6

The Chair encouraged Councillors to ask questions regarding the culture of health & safety systems that are in place and to look, post elections, at attending a site visit where a near-miss may have been identified. Standards need to be reinforced and rechecked on a yearly basis. Councillors are included on the list for H&S response teams.

Resolved: (Crs Baddeley/Hayes)

THAT the report from the Chief Executive be received.

CARRIED on the voices   **A&R1607/08/1**

Updated Future Work Plan
Agenda Item 7.7

The General Manager Strategy & Support agreed to update the work plan to reflect issues from the Health & Safety discussion.

Resolved: (Crs Baddeley/Gibb)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/08/2**

Audit Arrangements Letter
Agenda Item 7.8

Resolved: (Crs Hayes/Baddeley)

THAT the report from the General Manager Strategy & Support be received.

CARRIED on the voices   **A&R1607/08/3**

Payroll System Review
Agenda Item 7.9

Good progress is being made with attention placed in this important area.

Mr Kotze advised that this review is part of the interim audit process.

The General Manager Strategy & Support agreed to report back on the reliance from Datacom regarding the controlled environment. It was noted that Council still approves the sign off of the payroll even though it is processed by Datacom.

Resolved: (Crs Gibb/Hayes)

THAT the report from the Acting General Manager Strategy & Support be received.

<u>CARRIED</u> on the voices   **A&R1607/08/4**

<u>Exclusion of the Public</u>
Agenda Item 3.1

Resolved: (Crs Baddeley/Hayes)

THAT the public be excluded from the meeting during discussion on the following items of business:

Confirmation of Minutes dated 23 March 2016.

<u>REPORTS</u>

a)   **Register of Members' Interest Elected Members and Senior Staff**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to withhold exists under:	**Ground(s) under section 48(1) for the passing of this resolution is:**
Section 7(2)(f)(i)(h)(i)(j)	**Section 48(1)(a)(d)(i)(j)**

b)   **Fraud Declaration**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to withhold exists under:	**Ground(s) under section 48(1) for the passing of this resolution is:**
Section 7(2)(a)(f)(i)	**Section 48(1)(a)(i)(b)(i)(ii)(d)**

c)   **Committee Time with Audit NZ – Management Excluded**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(f)(i)(ii)(g)	Section 48(1)(a)(i)(ii)(b)(i)(ii)(d)

CARRIED on the voices   **A&R1607/09**

Resolutions A&R1607/10 – A&R1607/12 are contained in the public excluded section of these minutes.

Having resumed open meeting and there being no further business the meeting was declared closed at 11.50am.

Minutes approved and confirmed this   day of   2016.

M Devlin
CHAIRPERSON
Minutes2016/A&R/160708 A&R M.docx

Open Meeting

To	Audit & Risk Committee
From	TG Whittaker
	General Manager Strategy & Support
Date	01 August 2016
Chief Executive Approved	Y
DWS Document Set #	1570247
Report Title	Review of Strategic Risk Register

1.   EXECUTIVE SUMMARY

KPMG, the new internal auditor appointed by LASS will be in attendance to facilitate a review of the Strategic Risk Register. This review will ensure the strategic risks continue to remain relevant.

2.   RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received.

3.   ATTACHMENTS

Current Strategic Risk Register

Risk Register

Filter: Classification(s): STRATEGIC (A&R Committee)

RESIDUAL
12.0
HIGH

INHERENT
12.0

R00158

BUSINESS CONTINUITY, ALLIANCE, STRATEGIC (A&R COMMITTEE)

Roading Alliance (internal)
Significant disruption to business because of poor communication, loss of staff, knowledge transfer or incompatible systems.

OWNER   Tim Harty

RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RISK CONSEQUENCE DESCRIPTORS	Major (4)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Major (4)

TREATMENT MC00380

The Roading Alliance Team is actively managing risks and reporting to Alliance leadership and Principals group on a regular basis.

SIGNOFF(S):	**Mike James**
DUE DATE:	
FREQUENCY:	**Once**

RESIDUAL
10.0
MODERATE

INHERENT
10.0

R00053

BUSINESS CONTINUITY, STRATEGIC (A&R COMMITTEE)

Business Resilience
Business function is significantly interupted
due to a lack of business continuity planning and organisational resilience.

OWNER   Kurt Abbot

RISK LIKELIHOOD DESCRIPTORS	Possible (2)
RISK CONSEQUENCE DESCRIPTORS	Catastrophic (5)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Possible (2)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Catastrophic (5)

TREATMENT MC00138

The Business Continuity project is in progress as part of the Our Plan 2015/16 programme of work.

SIGNOFF(S):	**Kurt Abbot**
DUE DATE:	**01 Dec 2016**
FREQUENCY:	**1st day of every 12 months**

RESIDUAL
8.0
MODERATE

INHERENT
12.0

R00056

PEOPLE, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

Zero Harm

Significant harm is caused due to poor or inactive Health and Safety procedures or culture of non-compliance.

OWNER   Kevin Lockley

RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RISK CONSEQUENCE DESCRIPTORS	Major (4)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Possible (2)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Major (4)

TREATMENT MC00116

Manage Volunteer Workers - Provide information to volunteer group
Manage Volunteer Workers - Provide information to volunteer group. Provide relevant information to volunteers to ensure compliance with zero harm initiatives.

TREATMENT MC00117

Report and Manage Hazards - Risk/Hazard Identified
Report and Manage Hazards - Risk/Hazard Identified. Report and Manage Hazards - Risk/Hazard Identified.

TREATMENT MC00118

Report and Investigate a Near Miss Work Event (Non Injury) - Report a near miss event (non injury)
Report and Investigate a Near Miss Work Event (Non Injury) - Report a near miss event (non injury).

TREATMENT MC00120

Report & Manage Notifiable Injury, Illness, Incident and/or Event - Review & Share Injury or Event Findings

TREATMENT MC00159

Carry out Contractor H&S Induction - Follow up agreed actions
An H&S induction is provided to all contract staff.

TREATMENT MC00379

Inspect/Audit Contract Health & Safety - Carry out Health & Safety Audit as required
A periodic or adhoc H&S audit is performed.

CHANGE(S) PENDING

SIGNOFF(S):	**Kylie Anderson** **Kevin Lockley**
DUE DATE:	**01 Aug 2016**
FREQUENCY:	**1st day of every 3 months**
SIGNOFF(S):	**Kylie Anderson** **Kevin Lockley**
DUE DATE:	**01 Jul 2017**
FREQUENCY:	**1st day of every 12 months**
SIGNOFF(S):	**Kylie Anderson** **Kevin Lockley**
DUE DATE:	**01 Jul 2017**
FREQUENCY:	**1st day of every 12 months**
SIGNOFF(S):	**Kevin Lockley** **Kylie Anderson**
DUE DATE:	**01 Jul 2017**
FREQUENCY:	**1st day of every 12 months**
SIGNOFF(S):	**Kevin Lockley** **Kylie Anderson**
DUE DATE:	**01 Jul 2017**
FREQUENCY:	**The first Day of every 12 months**
SIGNOFF(S):	**Kevin Lockley** **Kylie Anderson**
DUE DATE:	**10 Jun 2017**
FREQUENCY:	**10th day of every 12 months**

RESIDUAL
8.0
MODERATE

INHERENT
12.0

R00057

BUSINESS CONTINUITY, FINANCIAL, STRATEGIC (A&R COMMITTEE)

Asset Management
Failure to provide sustained delivery of core services due to poor knowledge of asset condition, poor management of assets and inadequate asset management planning.

OWNER   Tim Harty

RISK LIKELIHOOD DESCRIPTORS   Likely (3)

RISK CONSEQUENCE DESCRIPTORS   Major (4)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS   Possible (2)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS   Major (4)

TREATMENT MC00129

Check (retic) Asset Maintenance Forms - Check asset maintenance form

SIGNOFF(S):   **Martin Mould**
                     Cynthia Gillespie

DUE DATE: **01 Sep 2016**

FREQUENCY: **1st day of every 12 months**

TREATMENT MC00130

WDA - Provide asset data for RAMM database - Complete asset data collection forms

SIGNOFF(S):   **Adam Van Niekerk**

DUE DATE: **01 Sep 2016**

FREQUENCY: **1st day of every 12 months**

TREATMENT MC00161

Service Delivery Activity Management Plans (AMPS)
The purpose of the AMPS is to document the management philosophy of council assets and the provision of associated services.
This long-term planning approach is considered necessary given the large capital and operating expenditure expected, the long lives of the assets and the lead times in planning for upgrades, replacements and the purchase or building of new assets.

SIGNOFF(S):   **Elton Parata**
                     Wayne Furlong

DUE DATE: **01 Apr 2017**

FREQUENCY: **The first Day of every 12 months**

TREATMENT MC00162

WDC Activity Management Policy - provides statements on how WDC will manage assets and deliver associated services in a cost effective, sustainable, well planned and co-ordinated manner to provide agreed levels of service.

SIGNOFF(S):   **Elton Parata**
                     Wayne Furlong

DUE DATE: **01 Sep 2016**

FREQUENCY: **The first Day of every 12 months**

TREATMENT MC00163

The WDC 2015-2045 Infrastructure Strategy documents the management philosophy that is applied to Waikato Districts' infrastructure assets.

The strategy covers the following asset types: Water Treatment and supply, Wastewater Treatment and Disposal, Stormwater Drainage, Roads and footpaths.

SIGNOFF(S):   **Martin Mould**

DUE DATE: **01 Nov 2016**

FREQUENCY: **The first Day of every 12 months**

TREATMENT MC00376

WDA - Collect RAMM Data Fields - Load field asset data into RAMM database

SIGNOFF(S):   **Dave Taylor**

DUE DATE: **10 Dec 2016**

FREQUENCY: **10th day of every 12 months**

RESIDUAL
8.0
MODERATE

INHERENT
12.0

R00157

COMPLIANCE/ REGULATORY, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

Three Waters Study

Significant temporary disruption to business and service levels resulting from water study decision.

OWNER   Tim Harty

RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RISK CONSEQUENCE DESCRIPTORS	Major (4)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Possible (2)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Major (4)

TREATMENT MC00391

A project group, that meets fortnightly, has been implemented in consultation with the Mayoral Forum to address ongoing project directives and report against Water Study decisions.

SIGNOFF(S):   **Martin Mould**

DUE DATE: **01 Jan 2017**

FREQUENCY: **1st day of every 12 months**

RESIDUAL **6.0** MODERATE	**PEOPLE, POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)**	

RESIDUAL 6.0 MODERATE

INHERENT 9.0

R00155

Community Engagement

Community and key stakeholders are disengaged due to a lack of opportunity to engage in decision making.

OWNER   Shelley Monrad

RISK LIKELIHOOD DESCRIPTORS   Likely (3)

RISK CONSEQUENCE DESCRIPTORS   Moderate (3)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS   Possible (2)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS   Moderate (3)

TREATMENT MC00121

Long Term Plan Special Consultative Procedure - Hold Public Meetings

SIGNOFF(S):	Melissa Russo Shelley Monrad
DUE DATE:	30 Jun 2018
FREQUENCY:	1st day of every 12 months

TREATMENT MC00122

Confirm Communtiy LTP Priority Projects - Confirm LTP Priority Project List with Communities
Communicate decisions around Long Term Plan priority projects.

SIGNOFF(S):	Melissa Russo Shelley Monrad
DUE DATE:	30 Jun 2018
FREQUENCY:	1st day of every 12 months

TREATMENT MC00124

Update Communities on confirmed LTP Projects - Report back to Community Boards and Community Committees
Ensure adequate engagement with community confirming Long Term Plan projects and provide feedback to Community Boards and Community Committees.

SIGNOFF(S):	Melissa Russo Shelley Monrad
DUE DATE:	30 Jun 2018
FREQUENCY:	1st day of every 12 months

TREATMENT MC00164

Community engagement strategy:
This Strategy provides WDC with guidance on its community engagement activities

SIGNOFF(S):	Melissa Russo Shelley Monrad
DUE DATE:	01 Dec 2016
FREQUENCY:	The first Day of every 6 months

TREATMENT MC00165

Creation of a significance & engagement policy

The policy oulines how WDC will assess "significance", as required by the LGA amendment bill. A particular issue is the determination of whether an issue is of "high" significance or not in regard to the impact on communities, rather than just on economic impact which is generally the current basis for council decisions.

Environmental, social and cultural well-beings must also form part of a significance determination which should not be overshadowed by financial considerations.

SIGNOFF(S):	Melissa Russo Shelley Monrad
DUE DATE:	
FREQUENCY:	Once

TREATMENT MC00388

Review of Significance and Engagement Policy in line with LTP.

SIGNOFF(S):	Melissa Russo Shelley Monrad
DUE DATE:	30 Jun 2018
FREQUENCY:	1st day of every 12 months

RESIDUAL
6.0
MODERATE

INHERENT
9.0

R00051

PEOPLE, POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

Customer Service
Customers are disengaged because of poor customer service.

OWNER   Angela Parquist

RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RISK CONSEQUENCE DESCRIPTORS	Moderate (3)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Possible (2)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Moderate (3)

TREATMENT MC00166

WDC staff undertake Our Customer training modules as part of the "Building our customer driven culture" training

TREATMENT MC00377

Receive and Enter a Service Request - Receive Request from Customer

SIGNOFF(S):	**Hayleigh Evett**
DUE DATE:	**01 Jan 2017**
FREQUENCY:	**The first Day of every 12 months**

SIGNOFF(S):	**Elizabeth Saunders**
DUE DATE:	**10 Dec 2016**
FREQUENCY:	**10th day of every 12 months**

RESIDUAL
5.0
LOW

INHERENT
15.0

R00019

FINANCIAL, POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

Economic Development
WDC inhibits economic development due to a lack of business agility, poor planning, untimely investment in infrastructure, and or poor engagement with key stakeholders.

OWNER   Clive Morgan

RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RISK CONSEQUENCE DESCRIPTORS	Catastrophic (5)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Rare (1)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Catastrophic (5)

TREATMENT MC00012

Set development contribution levies - Provide Growth Information

SIGNOFF(S):	**Alison Diaz**
DUE DATE:	**01 Oct 2016**
FREQUENCY:	**The first Day of every 6 months**

TREATMENT MC00056

Tuakau structure plan project underway, linked to prepare a structure plan process

SIGNOFF(S):	**Vishal Ramduny**
DUE DATE:	**01 Sep 2016**
FREQUENCY:	**The first Day of every 6 months**

TREATMENT MC00057

Future proof growth strategy review and engagement

SIGNOFF(S):	**Vishal Ramduny**
DUE DATE:	**01 Sep 2016**
FREQUENCY:	**The first Day of every 6 months**

TREATMENT MC00058

Undertake engagement as per Auckland City MOU

SIGNOFF(S):	**Vishal Ramduny**
DUE DATE:	**01 Sep 2016**
FREQUENCY:	**The first Day of every 6 months**

TREATMENT MC00059

Waikato Plan reflects the growth aspirations of the Waikato district and provides robust data for better planning and connectivity.

SIGNOFF(S):	**Vishal Ramduny**
DUE DATE:	**01 Aug 2016**
FREQUENCY:	**The first Day of every 4 months**

TREATMENT MC00060

Economic development roadmap projects provide support for planning and infrastructure investment.

SIGNOFF(S):	**Clive Morgan**
DUE DATE:	**01 Jun 2017**
FREQUENCY:	**The first Day of every 6 months**

TREATMENT MC00163

The WDC 2015-2045 Infrastructure Strategy documents the management philosophy that is applied to Waikato Districts' infrastructure assets.

The strategy covers the following asset types: Water Treatment and supply, Wastewater Treatment and Disposal, Stormwater Drainage, Roads and footpaths.

SIGNOFF(S):	**Martin Mould**
DUE DATE:	**01 Nov 2016**
FREQUENCY:	**The first Day of every 12 months**

RESIDUAL
4.0
LOW

INHERENT
8.0

R00058

FINANCIAL, POLITICAL, STRATEGIC (A&R COMMITTEE)

Regional/ National Strategic Planning

Our District is significantly impacted and or suffers missed funding opportunities due to poor engagement in Regional and or National strategic planning.

OWNER Vishal Ramduny

RISK LIKELIHOOD DESCRIPTORS	Possible (2)
RISK CONSEQUENCE DESCRIPTORS	Major (4)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Rare (1)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Major (4)

TREATMENT MC00135

WDC is a key player in the Waikato Mayoral forum thereby proactively contributing to a single voice for the Waikato region to central government.

SIGNOFF(S):	**Vishal Ramduny**
DUE DATE:	**01 Oct 2016**
FREQUENCY:	**1st day of every 6 months**

TREATMENT MC00378

Prepare a District Development Strategy - Prepare project brief
Project brief was issued 2015. District Development Strategy was adopted October 2015.

SIGNOFF(S):	**David Totman**
DUE DATE:	**10 Oct 2017**
FREQUENCY:	**10th day of every 12 months**

RESIDUAL
4.0
LOW

INHERENT
12.0

R00128

BUSINESS CONTINUITY, FINANCIAL, REPUTATION/ IMAGE, TECHNICAL, STRATEGIC (A&R COMMITTEE)

Cyber Security
Unauthorised access and or theft of privileged information, malicious code and viruses introduced due to external cyber attack and or employee behaviour.

OWNER   Julian Hudson

RISK LIKELIHOOD DESCRIPTORS	Likely (3)
RISK CONSEQUENCE DESCRIPTORS	Major (4)
RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Rare (1)
RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Major (4)

TREATMENT MC00348

WDC has an operative network security system (series of firewalls) to safe guard the connection between Council's internal network and the internet.

SIGNOFF(S):	Julian Hudson
DUE DATE:	01 Feb 2017
FREQUENCY:	1st day of every 12 months

TREATMENT MC00349

Cyber security is audited annually by Audit NZ. Council's firewall configuration is audited periodically and recommendations implemented as deemed appropriate by the IM manager.

SIGNOFF(S):	Julian Hudson
DUE DATE:	01 Feb 2017
FREQUENCY:	1st day of every 12 months

TREATMENT MC00350

Cyber security is managed using best practise methodologies by using security measures at various layers of connection.
a) Firewalls
b) Server
c) PC
d) User
e) Physical
f) Wireless access
g) WDC website

SIGNOFF(S):	Julian Hudson
DUE DATE:	01 Feb 2017
FREQUENCY:	1st day of every 12 months

TREATMENT MC00394

Implement ICT Strategy
Organisational management of cyber security is governed by strategic processes as documented in the ICT Strategy. The strategy includes directives associated with;
- procurement (contractual security requirements)
- monitoring & response (Critical ICT applications)
- organisational direction/technical advancement (considering alignment to business requirement)
- asset management

SIGNOFF(S):	Julian Hudson
DUE DATE:	01 Mar 2017
FREQUENCY:	1st day of every 12 months

Waikato
DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker
	General Manager Strategy & Support
Date	10 August 2016
Prepared by	Melissa Russo
	Corporate Planner
Chief Executive Approved	Y
DWS Document Set #	1568357
Report Title	Update on progress against issues raised in the draft interim management report

1.   EXECUTIVE SUMMARY

The purpose of this report is to provide an update on progress from issues that arose during the interim audits undertaken by Audit New Zealand in May and June 2016.

Following the first two interim audits, Audit New Zealand provided a draft Audit Management Report which outlines their findings and draws attention to areas where improvement is recommended. As part of the process, management had the opportunity to respond to Audit New Zealand based on management's understanding of the issues and whether they require further action or have already been addressed.

The draft Audit Management Report for the interim audits, year ended 30 June 2016 is attached to Appendix 1 of this report.

2.   RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received;

AND THAT the Audit & Risk Committee approve the management comments in the interim management report.

3.   INTERIM AUDIT

Our first interim audit for the 2015/16 year was held in May. The focus of this was on the financial controls. The second interim audit was held in June which focused on the non-financials (Statement of Service Provisions etc).

The table below outlines the number of issues that are either cleared, partially resolved or open at the time the draft Audit Management Report was issued:

		Priority			
		Urgent	Necessary	Beneficial	Total
Status	Closed	3	7	-	**10**
	Matters that have been resolved – yet to be cleared by Audit	1	-	-	**1**
	Partially resolved	-	6	-	**6**
	Open	1	5	-	**6**
	Total	**2**	**11**		**23**

One issue that audit identified as urgent and partially resolved, staff consider, has been resolved following the second interim audit. Audit still need to formally clear this issue.

Staff are continuing to make progress on resolving the other outstanding issues. Please see the attached draft Audit Management Report for a progress update on each of the outstanding issues.

Audit also raised the issue that five of our information system policies are out of date. Staff are in the early stages of review of four of the five policies, and will shortly begin work on the remaining policy. These policies are outlined on page 5 of the draft Audit Management Report.

4.   CONCLUSION

There is a total of 13 outstanding issued raised through Audit New Zealand audit of our Annual Report. Staff are continuing to make progress to resolve these issues.

5.   ATTACHMENTS

Draft Audit Management Report for the year end 30 June 2016

Report to the Council on the interim audit of

Waikato District Council

for the year ended 30 June 2016

Key messages

We have completed our interim audit of Waikato District Council (the District Council) for the year ended 30 June 2016. The primary purpose of our interim audit was to update our understanding of the District Council's control environment and to gain a better understanding of the issues facing the District Council and how these were being addressed.

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

We obtained an understanding of the processes and procedures the District Council has in place to ensure that payroll is processed accurately using the Datacom EasiESS system. Our review identified that there are appropriate systems of internal control in place and these are operating effectively.

We have previously identified a number of areas for improvement regarding the District Council's procurement and contract management. Management has made good progress in addressing those recommendations. We recommend the District Council develops and implements a fully functional contract management system.

We also followed up on the status of issues raised in previous audits. Management has made good progress in addressing these issues and a number of issues have been cleared. This is detailed further in Appendix 1.

We have two recommendations which are summarised as follows:

Recommendation	Section	Urgent	Necessary	Beneficial
Contract management				
The District Council should develop and implement a fully functional contract management system.	2.2	✓		
Information system policies				
The District Council to review and update the IS polices to meet current acceptable practices.	3.1.1	✓		

There is an explanation of the priority rating system in Appendix 2.

Thank you

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

Leon Pieterse
Audit Director
1 July 2016

Contents

1   Assessment of your control environment

We have performed a high-level assessment of the control environment. This assessment was performed for the purpose of planning the most effective and efficient audit approach, in order to enable us to express an audit opinion on the District Council's financial statements and the non-financial information. We considered the overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls.

In performing this assessment we consider both the "design effectiveness"[1] and "operational effectiveness"[2] of internal control. The explanation of these terms is outlined below. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

Overall we concluded that the internal controls and processes can be relied upon for the purposes of our audit.

Internal controls

We reviewed the internal controls in place for your key financial and non-financial information systems. Internal controls are the policies and processes that are designed to provide reasonable assurance as to reliability and accuracy of financial and non-financial reporting, as well as

compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the Council and management. Both "design effective" and "operationally effective" internal control is important to minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the governing body.

Overall we found that internal controls were operating throughout the current period.

2   Our areas of audit focus for this year

The areas which we are giving particular attention to this year are outlined in our audit arrangements letter dated 27 April 2016. We will comment in full on these matters, in our final management report. However, based on our work done to date, we comment on the following:

2.1   Change in payroll system

In November 2015, the District Council changed its payroll system from Chris21 to Datacom's Easi Employee Self Service (EasiESS) system.

The District Council had engaged PwC to review the payroll processes using the EasiESS system. We reviewed the PwC report and agreed with the recommendations made to improve the processes and procedures of the EasiESS system. We noted that the District Council had implemented a number of the recommendations made by PwC.

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[1] Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is "fit for purpose".
[2] Control has operated effectively throughout the period tested.

We also obtained an understanding of the processes and procedures the District Council has in place to ensure that payroll is processed accurately. We also performed walkthrough tests and completed testing of key internal controls of the Chris21 and EasiESS systems. Our review identified that there are appropriate systems of internal control in place and these are operating effectively.

2.2   Contract management

Contract management is an important component of procurement. Contract management includes the effective management and monitoring of the delivery of goods or services to the agreed levels. It is essential to ensuring that the District Council obtains value for money from the contracts its procurement processes have put in place.

A good contract management system should also, for example, provide functions to control recurring service delivery and periodic billing cycles. It should also enable analysis of overall and categories of spend.

We recommend that the District Council should develop and implement a fully functional contract management system; that will manage the contracts life cycle, from identification of need through negotiation, agreement, monitoring and completion - including all associated documentation, reporting and monitoring.

Management comment

Noted. The current priority is the roll out of EPO. Staff will prepare a brief which outlines contract management requirements by December 2016.

3   Issues arising from the audit

3.1   Information systems matters

3.1.1   Information System policies

Our review of information system policies identified a number of policies that are out of date. These policies are:

- Email Use Policy – approved November 2011 due for review November 2014;

- Email Release Policy – approved November 2011 due for review November 2014;

- Internet Use Policy – approved September 2009 due for review September 2012;

- Records Management Policy – approved April 2009 due for review April 2010; and

- Remote Access Policy – approved July 2009 due for review July 2012.

We recommend the District Council reviews and update these IS polices to meet current acceptable practices to safeguard the District Council's IT systems and data.

Management comment

Noted. These policies are now under review.

4 Summary of recommendations

The status of each matter that was outstanding in last year's report to the District Council is summarised in Appendix 1.

Summary of action taken against previous years' recommendations:

		Priority			
		Urgent	**Necessary**	**Beneficial**	**Total**
Status	Cleared – matters that have been resolved	3	7	-	**10**
	Partially resolved – progress is being made, but not yet fully resolved	1	6	-	**7**
	Open – no progress made at time of the interim audit	-	4	-	**4**

	Priority			
	Urgent	**Necessary**	**Beneficial**	**Total**
Matters to be followed up during our final audit visit	1	1	-	**2**
Total	**5**	**18**	**-**	**23**

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 1.

Appendix 1: Status of recommendations

Outstanding matters – matters followed up as part of the interim audit

Recommendation	Current status	Priority	Management's proposed action
Assumptions – reliability of data			
Assumptions in the AMPs do not include the reliability of data. We recommended that information on the reliability of data used for assumptions is included in AMPs.	**Partially resolved** The District Council is in the process of updating their reliability data in the asset management plans. It is planning to have this data completed for the 2018/28 Long Term Plan.	Urgent	Our understanding is that this recommendation relates only to our Park and Property AMP's as all our other AMP's already include the reliability of data information. Both Parks and Property AMP's have been updated to include the Condition and Performance tables. The executive summaries have also been updated to reflect this.

Recommendation	Current status	Priority	Management's proposed action
Expenditure – segregation of duties			
The District Council's purchasing system allows staff who have financial delegations to raise and authorise a purchase order and approve the invoice for payment, provided the expenditure is within their delegated authority threshold. In our view, the individual who raises and authorises a purchase order should not also be able to approve the invoice for payment. (Ideally there should also be segregation in the receipting of goods and services however, as a minimum, there should be "one up" approval of all expenditure transactions by invoices being approved by a more senior officer than the officer who authorised the order).	**Partially resolved** Council has implemented Electronic Purchase Order (EPO) that will eliminate the need for manual purchase orders. EPO is currently being piloted with the Facilities team. There are plans for EPO to be fully implemented in 2016/17. We will follow up as part of the 2016/17 audit.	Necessary	The new EPO system is different to the manual purchase order system in that it provides better control of front end procurement processes. Staff will only be able to purchase from approved suppliers and delegation rules are prescribed within the system. The system has a clear audit trail detailing who raised the requisition and receipted the goods/services and changes made. It is expected as the system is rolled out across the organisation that there will be an element of segregation of duties. Non-delegated staff will have the ability to raise requisitions on behalf of others but will not have approval or receipting functionality. That said the ability to requisition, approve and receipt your own purchase orders will still exist for some users provided it is within their delegated amounts. Reporting will be created to ensure that these transactions are reviewed regularly.
Service performance reporting: CRM system			
Our review of the CRM system identified the following: • there are no controls in place to ensure the correct dates and times have been recorded in the CRM system, that is there is a lack of independent review or other supporting documentation; and • the CRM report used by staff to report against only displays the	**Partially resolved** CRM reports now display the call response and resolution times. The District Council is currently working on processes to ensure the correct dates and times for wastewater overflows have been recorded correctly in the system. Based on discussions with Service Delivery staff, the District Council are planning to use iPads to record this data so information can be	Necessary	Noted. The mobile solution is currently being implemented and will provide us with the relevant information and an audit trail.

Recommendation	Current status	Priority	Management's proposed action
number of complaints. It does not show whether the target has been met. The report is manually checked to each CRM record by the Operations Engineer to determine if the response has been responded to within the appropriate timeframe. We recommended the District Council perform the following: • ensure reports generated from the CRM system are extracting the right information so staff are able to accurately report results against performance measures; and • additional supporting documentation is used by staff, that is job summary sheets that record the dates and times the job started and finished. This will allow an independent review to be performed to confirm information has been entered correctly into the CRM system.	updated in CRM in real time. We understand the District Council is aiming to have this available to use by December 2016. We will follow up progress as part of the 2016/17 audit.		

Recommendation	Current status	Priority	Management's proposed action
Regular restores from backup tape			
The District Council performs data restores from disc copy. However, there are no formal regular test restores being performed from backup tapes. This raises the risk that data may not be able to be recovered in a major disaster. We recommended formalised regular data restores tests should be performed from backup tapes.	**Partially resolved** A full test restore was performed as part of the implementation of the new backup technology. A schedule of formal test restores is yet to be performed. A cycle of regular restore tests should also be established to ensure data can be recovered	Necessary	Documentation of the Backup Solution and associated processes will be created as part of the project close. This documentation will include a process for performing, and recording the results of, regular test restores to demonstrate backups provide data recovery capability. This will be completed by August 2016.
User access			
Our testing of the user termination process found 13 still had access after they had left the District Council. We also identified a high number of users who had not logged into the network over the past five years. Procedures for terminating users should be improved to ensure all access is terminated as soon as the user has left. This should include third parties and temporary users.	**Open** Procedures for adding and removing users have been documented in Promap. Our testing of addition and removing of users found that not all requests are being logged in the ServiceDesk system and IS staff are not being advised promptly when users leave or change their role. We continue to recommend that procedures for adding and removing users is improved. We also recommend that:	Necessary	Noted. This process has been documented in promapp. The process will be refined following Audits latest recommendations and rolled out in conjunction with the induction programme revisions by December 2016.

Recommendation	Current status	Priority	Management's proposed action
	• IT is advised prior to users leaving so that access is removed promptly; • all requests (for new access and removing access) is logged in the ServiceDesk system; • approval forms for new access are attached to the request so that these can be referenced in the ServiceDesk system; and • when Contractors become permanent, the correct approval request form is submitted to ensure correct access is provided.		
All devices have virus definition updates and patches applied			
The systems which are used for updating virus definitions and Microsoft patches are recording widely varying numbers of PCs and servers, raising the risk that not all of the District Council's infrastructure is being protected from virus and malware attack. We also noted there is no detailed IT asset register to confirm the number of devices owned by the District Council.	**Open** No progress has been made. An outage window is yet to be established to allow IT staff to update patches on servers. A register of all IT assets should also be maintained and regular formal reporting on the status of virus and patch management should be done to confirm that the District Council's entire IT infrastructure is protected.	Necessary	Noted. A 2016/17 business plan object has been created to address this point.

Recommendation	Current status	Priority	Management's proposed action
Regular review of user accounts			
There is no formal process to review user accounts at the network level and in the applications systems. We recommended a review of users and their access levels be carried out on a regular basis (perhaps annual) to ensure no inappropriate access to systems.	**Partially resolved** A review of network user accounts has been performed and redundant users have been removed. Going forward, the District Council intends to perform an annual review of all network users. There has been no review of application users and their access levels. We continue to recommend that a regular review (annually) is carried out on a regular basis to ensure no inappropriate access to systems.	Necessary	Noted. The process referred to above will be enhanced to include a regular review. This will be completed by December 2016.
Business continuity and IT Disaster recovery planning			
The District Council does not have a Business Plan and IT Disaster Recovery Plan. We recommended the District Council develop and test organisational business continuity plans. This planning should drive the development of an IT Disaster Recovery Plan. Plans should 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.	**Partially resolved** The Organisation Planning and Support department has started to develop an organisational Business Continuity Plan. Information Management have implemented a new backup system and are working on a project to install a secondary datacentre at the Tuakau office. We continue to recommend that the District Council finalise and test the Organisational Business Continuity Plan and IT Disaster Recovery Plan.	Necessary	The IT disaster recovery solution is in place. We are awaiting resolution of the speed of network connection with Tuakau such that the infrastructure can be relocated to this office. We are hopeful that resolution of this is imminent. The business continuity project will involve implementing a framework to deliver business requirements. This means council will have a disaster recovery capability and a disaster recovery plan can be written, informed by the business continuity work, to provide agreed council services in the event of a disaster. The plan will also document a periodic testing schedule to ensure that the disaster recovery capability continues to meet business continuity requirements in the future.

Recommendation	Current status	Priority	Management's proposed action
Monitoring and reporting on IT service performance			
The District Council has systems in place for recording problems and incidents, and for monitoring systems. However there is no formal monitoring and reporting on IT service performance and KPIs. We recommended reporting on IT KPIs should be developed, including problem and incident resolutions and system performance.	**Open** KPIs have been developed however no reporting is in place. There is also no monitoring of problems and incident resolution occurring. We also noted there are a backlog of problems to be resolved in the ServiceDesk system, some of these problems have been outstanding for at least six months. We understand IM are considering the implementation of the ITIL IT service management framework. We continue to recommend that problem and incident and service performance be monitored	Necessary	Noted. Management wish to further refine the KPIs and agree these with the organisation. This work is in progress. Support Coordinator position description is being updated to better align with organisational expectations regarding problem and incident management. Key staff have been enrolled on an ITIL Foundation training course in August 2016.
Change management			
We noted that formal change management policies and processes are not in place for IT Infrastructure and software changes. We recommended change management procedures are implemented and all changes are logged and approved before they are made to live systems.	**Partially resolved** Formal change management processes are in use for application changes and are starting to be used for some infrastructure changes. Changes to the District Council's systems, infrastructure and applications should be logged and follow formalised change management processes.	Necessary	Noted. The IM Change Management process has been updated in Promapp, and will be further reviewed following the ITIL training. IM staff will be demonstrating adherence to process using ManageEngine to document changes.

Recommendation	Current status	Priority	Management's proposed action
Review of users who have remote access			
District Council staff are able to access the District Council's systems from their own devices. Formal application is required for this to be set up. However, we noted there have been no reviews of individuals who still have this level of access. This raises the risk that access may have been left open after it should have been removed. We recommended that a review is performed of whom has remote access to the District Council's systems, to ensure it is limited to only approved staff and contractors.	**Open** No review of users with remote access has been performed. Termination of users accounts has also not been performed in a promptly manner. Therefore, raising the risk that the person may continue to have access from home. We continue to recommend that a review of users with remote access is performed.	Necessary	Noted. Termination of user accounts automatically terminates remote access. Processes being implemented as referred to above will address this.

Outstanding matters – matters to be followed during the final audit

Recommendation	Current status	Priority	Management's proposed action

Recommendation	Current status	Priority	Management's proposed action
Elected members remuneration			
We found that all payments were within limits set in the Local Government Elected Members Determination. However, we noted that the District Council had made an additional payment to elected members for remuneration relating to the 2013/14 financial year during the 2014/15 financial year. This was due to elected members being underpaid in 2013/14 that was a result of the system used to process elected members remuneration not calculating the correct amount to be paid. We recommended the District Council's reviews their payroll system to ensure elected members are paid the correct amount for the appropriate financial year.	**Open** This matter will be followed up as part of the final audit.	Urgent	Council's payroll system is set up to administer both staff payments and that of elected members. As this system has fortnightly payment setups manual adjustments are required to manage the determination for elected member remuneration for 1 July to 30 June. Staff are investigating options for making this process automatic including the potential for changing the frequency of payments.

Recommendation	Current status	Priority	Management's proposed action
Revaluation of property, plant and equipment			
The revaluation of water, wastewater, stormwater, solid waste and parks and reserves assets initially resulted in an increase of $4.6 million. We held discussions with the valuer (Beca) to understand the factors that had contributed to the movement in the value of these assets since the previous revaluation performed in June 2014. We understand the change in value was attributed to a formula error in Beca's calculation of depreciated replacement cost. Once this error was corrected, the financial statements were updated to reflect a $10.9 million revaluation movement for these assets. This highlights the need for the District Council to continue to improve their processes and procedures surrounding revaluations, in particular investigating further when there have been significant movements in value of assets between revaluations.	**Open** This matter will be followed up as part of the final audit.	Necessary	Noted. We will cross check valuation calculations to ensure formulas provided by the valuers are working correctly and will endeavour to identify and have explained significant movements from the prior year.

Matters that have been resolved

Recommendation	Outcome
Procurement and contract management	
We completed a high level risk assessment over the District Council's procurement and contract management functions. Our review identified some areas where the District Council could improve its control environment around procurement and contract management. We recommended the District Council: • Develop and implement a single wide contract management policy that is supported by comprehensive procedures, guidelines and standardised templates. • Review, on a regular basis, the procurement activity and contract management. • Provide regular formal training to staff so that they are kept up to date with current contract management processes and practices.	**Matter resolved** The District Council has developed a policy and procedures for contract management, regular training is now provided to staff and the Procurement Manager performs a regular review of procurement activity and contract management. The one matter raised by us last year that was not resolved has been raised under section 2.2 above.
Sensitive expenditure	
We tested a sample of transactions from areas of sensitive expenditure incurred during the period and identified one transaction that was not supported by an adequate tax invoice. The District Council's reimbursement of expense claims policy states that expense claims will only be reimbursed when the original tax receipts accompany the expense claim form. We recommend the District Council remind staff of the importance of retaining itemised tax invoices to support all expense claims claimed to ensure compliance with the policy.	**Matter resolved** Our testing of reimbursement of expense claims identified that tax invoices were attached to the expense claim form.

Recommendation	Outcome
Related party transactions	
We noted the Interest Declaration Form asked elected members to declare their interest and their spouses' interests. The form did not ask about interests of elected members children or spouses.	**Matter resolved** The Interest Declaration Form has been updated to include declarations of all family members and close friends.
Compliance with Treasury Management policy	
There were instances where the District Council's Treasury Management Policy had not been complied with during the year. We understand that management are aware of the breaches and are prepared to accept the risk of non-compliance with the policy. The District Council should ensure there is an effective control in place to ensure compliance with the policy. The rationale or justification for any intentional departures from policies should be documented and authorised by an appropriate person.	**Matter resolved** In April 2016, the District Council updated their Treasury Management Policy. Our review identified no instances where Council has breached the policy since the policy had been updated.
Service performance reporting: control environment	
The District Council implements robust processes to ensure the following issues are addressed: • there is no formal quality review process in place (documented and evidenced) to ensure that accurate results are reported in the service performance information; • there are limited processes and controls in place to ensure information reported to Council is accurate throughout the year; and • the reporting mechanism to Council during the financial year is not directly linked to the District Council's performance framework.	**Matter resolved** All performance measures included in the LTP are reported quarterly to the appropriate Council Committee and the Executive Team. A review is performed by Managers responsible for measures for reasonableness and to ensure accurate results are reported in the quarterly reports.

Recommendation	Outcome
Service performance reporting: restoration of service after burst mans or urgent faults	
Our testing of the CRM system identified the following: • there were a number of instances where the completion data of the job had been entered into the system incorrectly; • the CRM report used by the water team to report against only displays the created and targeted dates; it does not provide the completion date to confirm if the measure was responded to within the required timeframe; and • all faults (minor and major) were being reported against when the measure only focuses on major faults.	**Matter resolved** CRM reports now display all information required to report the result of the performance measure.
High number of generic/shared network logins	
Our review of the list of network logins identified a high number of generic logins. This raises the risk of unauthorised access or inability to track access back to a particular individual. This raises the risk of unauthorised access or inability to track access back to a particular individual. We recommended a review of all network logins should be done and any generic logins that the District Council requires should be reapproved and documented. There should also be a formal approval process established for creating any generic logins.	**Matter resolved** A review and reduction of generic log ins has been performed and any new generic logins require formal approval.
Financial forecasting processes	
WDC adheres to good asset management planning practices. However, the AMPs do not provide clear and comprehensive details of the financial forecasting and planning process. Going forward, the AMPs are improved to include the aspects mentioned.	**Matter resolved** Financial information for the AMPs is held electronically so that information can be continually updated.

Recommendation	Outcome
Capital expenditure for groups of activities	
According to requirement in Schedule 10(3) of the LGA, 2002, asset models should allow capital expenditure to distinguish between: (a) meeting additional demand for an activity; (b) improving the level of service; and (c) replacing existing assets. The expectation is that the AMPs allocate each project to one of these categories. This detail is not contained in the AMPs and we understand that this will not be completed until the LTP is completed. This is not good practice. The AMP should include asset management planning information that informs the LTP and not the other way around. AMPs can be enhanced to distinguish between the different categories in Schedule 10(3) of the LGA, 2002.	**Matter resolved** Capital expenditure in the AMPs is distinguished between: (a) meeting additional demand for an activity; (b) improving the level of service; and (c) replacing existing assets.
Levels of service	
We noted for Roading that there is currently a transition to the One Network Road Classification (ONRC) framework. This will present a number of challenges for WDC. We found that categorisation of roads using the new criteria is largely complete but there are still some anomalies to be resolved and roads that cross into neighbouring districts need to be consistent along their length. We noted that the Waikato and Franklin District Plans contain definitions of the road hierarchy and maps. Many stipulations in both plans define standards for access that are based on the hierarchy. We recommended that stipulation that defined standards for access need to be amended to reflect the new ONRC hierarchy. Changes to District Plans require extensive public consultation and can be a lengthy process.	**Matter resolved** The District Council has performed a review of all boundary roads with their neighbouring Councils to ensure the District Council's ONRC matches their neighbouring Councils ONRC.

Appendix 2: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the District Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following ratings for our recommendations:

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

Waikato
DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Open Meeting

To	Audit & Risk Committee
From	TG Whittaker
	General Manager Strategy & Support
Date	19 July 2016
Prepared by	Katja Jenkins
	Project Management Advisor
Chief Executive Approved	Y
DWS Document Set #	1570367
Report Title	Risk Management Maturity Assessment

1. EXECUTIVE SUMMARY

Risk management is gaining increasing focus within the local government sector. Waikato District Council has an enterprise risk management framework in place but would like an independent view on the maturity of the framework and potential recommendations to improve risk management within Council. It is proposed to utilise KPMG, the internal auditor appointed by LASS, to undertake the review.

2. AUDIT

Audit Objectives

▪ To have KPMG assess the design and implementation of Council's risk management framework for adequacy and effectiveness;

▪ To compare Council's risk management practices against KPMG's Enterprise Risk Management maturity framework; and

▪ To provide recommendations for improvement where opportunities exist.

Audit Scope

In Scope:

1. Risk Strategy and Appetite

   A robust strategy allows management to use risk management to enable the achievement of business plans, goals and strategic objectives. It includes a risk appetite statement supported by risk tolerances, limits and associated breach protocols to control risk levels throughout the organisation.

2. Risk Governance

   Structure through which an organisation directs, manages and reports its risk management activities.

3. Risk Culture

Values and behaviours present throughout an organisation that shape risk decisions.

4. Risk Assessment and Measurement

The activities in place that allow an organisation to identify, assess and quantify known and emerging risks.

5. Risk Management and Monitoring

Management's response to manage, mitigate, or accept risk and subsequent monitoring of the operation of mitigations e.g. Controls self-assessment and/or through other assurance providers.

6. Risk Reporting and Insight

Reporting of risk and related information (e.g. mitigation activities) to Senior Management, Audit and Risk Committee and Council.

7. Data and Technology

The use of tools and data to support the risk management framework.

Out of Scope:

1. Assessment of Council Risks.

Audit Approach

- Obtain and review key documents relating to risk management such as policies and procedures and process documents;

- Conduct a design effectiveness review of our Risk Management Framework and strategy against KPMG's ERM Framework;

- Interviews with key personnel regarding the relevance and useability of information delivered by our risk management framework;

- Test of operation of our risk management practices by meeting with Council's key senior management to discuss the practical application of the risk management strategy and framework;

- Confirm the current and desired state of risk management practices including observations on the current risk management practices;

- A draft report detailing the internal audit findings and opportunities for improvement, and provided to management for documentation of their intended action plans; and

- Final report including management action plans to address Internal Audit's recommendations.

Finance

KPMG have provided a fixed fee of $13,000 to $15,000 exclusive of GST and disbursements. Disbursements relate to both routine and non-routine out of pocket expenses incurred in relation to the engagement.

It is recommended that this be funded from the general rate surplus in 2015/16.

Sponsorship

The sponsor for this review would be the General Manager Strategy and Support, who will support overall coordination of the review as part of the delivery of the internal audit programme.

3.   RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received;

AND THAT the Committee support the engagement of KPMG to undertake a risk management maturity assessment review.

AND THAT the Committee request that the Strategy & Finance Committee seek funding from the 2015/16 General Rate surplus to fund this review.

4.   ATTACHMENTS

NIL

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion
	Chief Executive
Date	27 July 2016
Prepared by	Kevin Lockley
	Zero Harm Manager
Chief Executive Approved	Y
DWS Document Set #	1569119
Report Title	Zero Harm Update

1. EXECUTIVE SUMMARY

The purpose of this report and its attachments is to provide an update on current health and safety performance. Council recognise that compliance is essential but they aspire to achieve best practice in health and safety performance and to create a sustainable zero harm culture where everyone goes home safe and healthy each day.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. BACKGROUND

Safety Conversations
The Chief Executive continues to carry out safety conversations across the organisation. The most recent conversations were held when a road surveying activity was visited. A number of concerns were raised and discussed on site and followed up with the Alliance manager, notably how traffic is controlled on sections of road where limited sight of the work activity by vehicle drivers and the surveyor of oncoming traffic on blind corners. Outcome of discussion is that more detailed traffic management control procedures are being used and the surveyor is to continue with his high levels of spatial awareness.

Over Speed Reporting
Numbers for the month of July were down on previous months in the number of events, but more pleasing in the level of speeds recorded. Managers continue to hold conversations with drivers who appear on the smart track speeding report. Council has adopted a reverse parking requirement as part of the Zero Harm policy. Large reverse parking signs have been installed along with extra wheel stops in Council carparks. In general there has been good uptake of the reverse parking requirement.

Risk Management
The Service Delivery team have been working with a Waste and Recycling contractor to comply with an EED (Engineer Exception Decision) for left hand kerb pick up. The contractor has been directed to engage an independent consultant to review their procedures prior to re-applying for a new EED.

Kopua Camp
At the request of the Holiday Park Board the Zero Harm Manager carried out a safety walk around the park with board members. A number of opportunities for improvement were identified and recorded. These opportunities have been entered into the Council system and will be worked on progressively. The Zero Harm team are working with the Holiday Park Management Team to develop a site specific safety plan. A draft document has been developed and is with the team for review, and inclusion of existing processes. A number of existing procedures will need to be updated before inclusion in the plan.

Community Halls
The Zero Harm team has reviewed and updated the health and safety provisions within the Terms of reference, letters have been sent out to hall committees.

Contractor prequalification
Council are working with other Waikato LASS Councils to implement a single contractor pre-qualification system allowing approved contractors to work across member councils without duplication. This is both an efficiency measure (for councils and contractors) and an opportunity to set the standard for the region.

Monthly Statistics
Total incidents for the month were (71) 41 near miss reports, 17 injuries and 13 incidents not requiring any first aid or medical intervention.

Zero Harm Strategic Plan
A copy of the Zero Harm Strategic Plan is attached which provides an update on progress with the various matters identified.

4.   DISCUSSION AND ANALYSIS OF OPTIONS

4.1   DISCUSSION

This report is to assist Councillors with their due diligence requirements as Officers. The report should start the conversation and provide opportunities for Councillors to raise questions and discuss progress.

4.2   OPTIONS

Council could choose to accept the report or not. Council could ask for additional information if needed.

5. CONSIDERATION

5.1 FINANCIAL

There are no direct financial requirements identified in this report.

5.2 LEGAL

This report is prepared as part of the assisting Council with compliance with Health & Safety at Work Act 2015.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

Council has a Zero Harm Strategy which forms the basis of our health & safety systems and philosophy. An internal Zero Harm Strategic Plan is also in place.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Highest levels of engagement	Inform ☐	Consult ☐	Involve ✓	Collaborate ☐	Empower ☐
	Councillors, as Officers under the Health & Safety at Work Act 2015 are required to undertaken due diligence to ensure appropriate health & safety systems are in place and operating.				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
	✓		Internal
	✓		Community Boards/Community Committees
			Waikato-Tainui/Local iwi
			Households
			Business
	✓		Other Please Specify

Council engages with our Community Boards and Community Committees to ensure they are clear on their requirements. Council also undertakes audits and safety conversations in relation to our contractors.
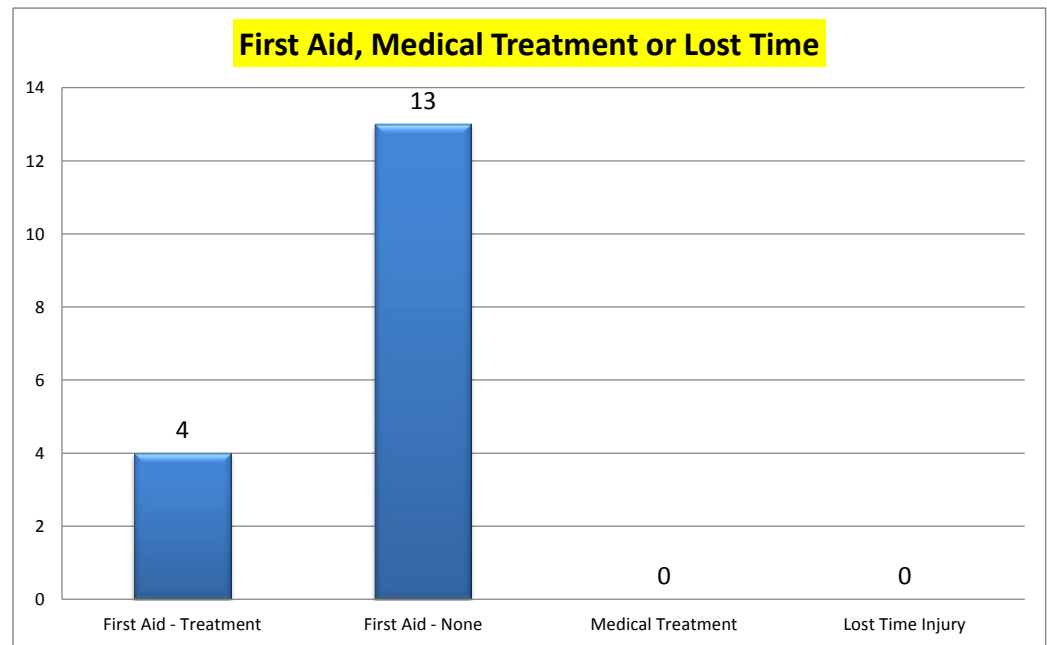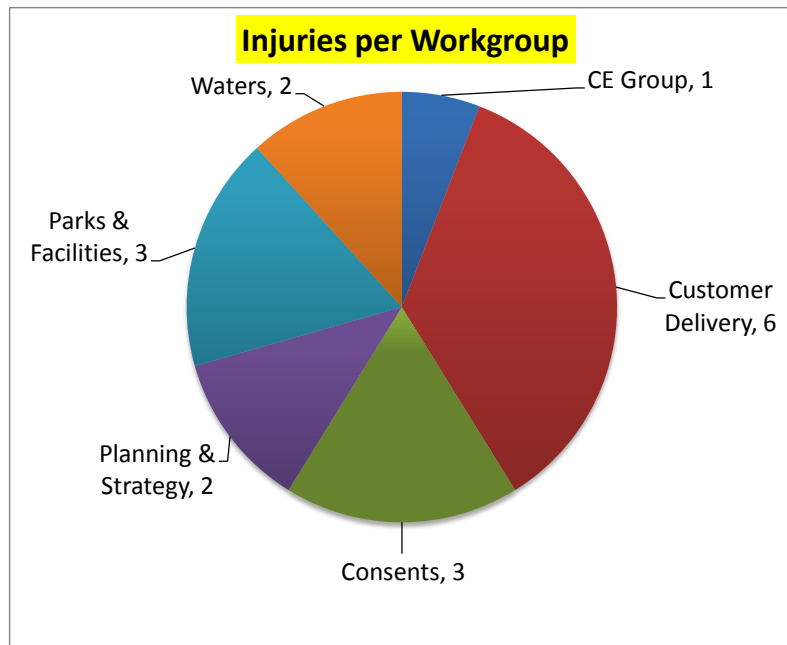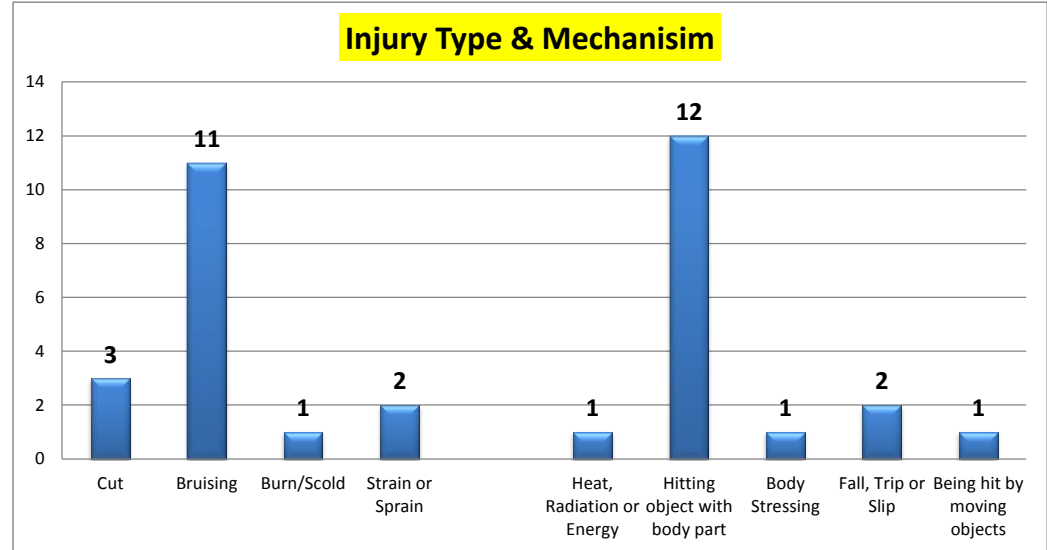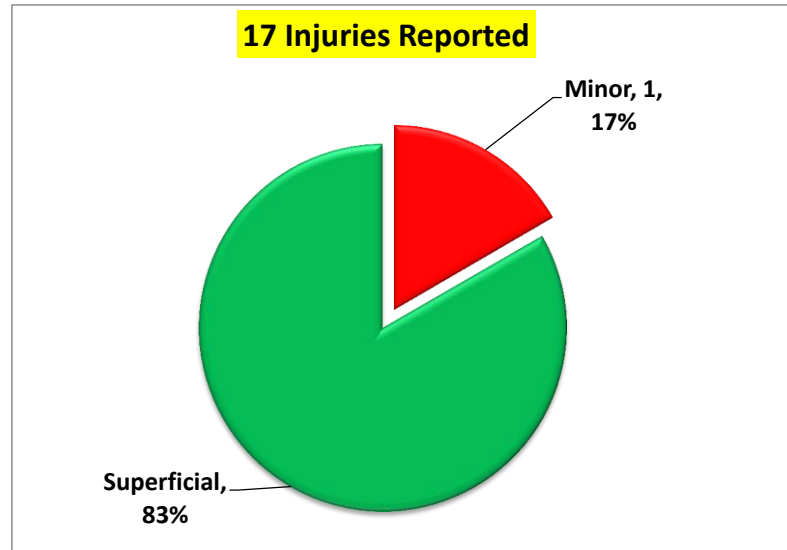
6. CONCLUSION

This report provides an update on progress with our Zero Harm systems and processes.

7. ATTACHMENTS

Zero Harm Dashboard – July 2016
Zero Harm Strategic Plan

Zero Harm Dashboard - July 2016

Total Recordable Injury Rate = 4.18

17 Injuries Reported

Minor, 1, 17%

Superficial, 83%

Injury Type & Mechanisim

Cut	Bruising	Burn/Scold	Strain or Sprain	Heat, Radiation or Energy	Hitting object with body part	Body Stressing	Fall, Trip or Slip	Being hit by moving objects
3	11	1	2	1	12	1	2	1

Injuries per Workgroup

Waters, 2

CE Group, 1

Parks & Facilities, 3

Customer Delivery, 6

Planning & Strategy, 2

Consents, 3

First Aid, Medical Treatment or Lost Time

First Aid - Treatment	First Aid - None	Medical Treatment	Lost Time Injury
4	13	0	0

ZERO HARM
STRATEGIC PLAN

VISION

To be a recognised leader in creating a district that prides itself on economic excellence, local participation and sustainable communities and together with our workers, contractors, we will create a injury and illness free workplace where everyone goes home safe and healthy each day.

VALUES

That all workers in Waikato District Council:

- Are **A**ccountable and Responsible.
- Have a **B**usiness, Quality and Improvement Focus.
- Are **C**ustomer Driven.
- Work together as **I**ntegrated **T**eam Members.

OBJECTIVE

To promote a sustainable culture that provides a safe and healthy workplace for all workers, contractors, volunteers and visitors. Ensuring full compliance with the Health and Safety at Work Act 2015, and the ACC workplace safety management practices framework.

STRATEGY

1. **Accountable and Responsible:**
   - Management will commit to the Zero Harm objectives through strong involvement and leadership.
   - All workers will be accountable and take ownership of their own and others health and safety.

2. **Business, Quality and Improvement Focus:**
   - Contribute to a culture of operational excellence where Zero Harm is integrated.
   - All processes, systems and work programmes will support best practice and Zero Harm
   - Key performance indicator data will be analysed to ensure the effectiveness of this Strategic Plan.

3. **Customer Driven:**
   - Understands the health and safety needs of internal and external customers and develop and apply systems and processes that encourages safe and healthy behavior.

4. **Integrated Team Member:**
   - Actively contributes to and communicates health and safety across the organisation.
   - Promotes a culture of work safe, home safe

ZERO HARM STRATEGIC PLAN

ACTION PLAN

1. Accountable and Responsible

Objective

All employees understand and apply their role and responsibilities in relation to health and safety.

Action Required	Resp.	Due Date
Ensure the requirements of the Contractor Management Process are being applied and that staff and managers overseeing public works are trained in management of contractors *(Council have supplied pre-qualified contractor list to the working party)*	Zero Harm Team	Sept 2016 *(Pre-qualification forms & promapp process up-dated)* *LASS process underway)*
On site health and safety audits are undertaken on physical works contracts. (at least 20 per month)	Contract Supervisor(s)	Annual *(Under action)*
Zero Harm moments initiated and incentivised by the CEO are actively supported and promoted within teams Zero Harm is included as an agenda item on all team meeting and minutes recorded	Managers Team Leaders	Immediate *(Under action)*
Actively promote, encourage and monitor near miss, incident & injury reports *(2016/17 KPI TRIFR plus safety conversations carried out by managers 2 x month)*	Managers Team Leaders Zero Harm Team Executive Team	Immediate *(Current KPI tracking at target level)*
Changes to H&S legislation and impact identified and communicated organisation wide	Zero Harm Team	Ongoing *(Internal training & briefing sessions to community boards/committees)*
Actively participate in regional H&S group Business Leaders Health & Safety Forum	Zero Harm Team Chief Executive	Ongoing *(CE attends national leadership forums & Zero Harm Manager attends LASS meetings)*
Testing and Monitoring – Continue with current health monitoring programme and check with managers on any other health monitoring requirements.	Zero Harm Team Human Resources	May 2016 *(Actioned for ACC audit & identified in training matrix*

ZERO HARM
STRATEGIC PLAN

Health & Safety blogs - monthly blogs on H&S matters related to calendar of events.	Zero Harm Team Communications	Ongoing *(Zero Harm team yet to establish calendar)* *The Chief Executive provides regular blogs on zero harm*

2. Business, Quality and Improvement Focus

Objective
Obtain ACC Work Safety Management Practice Certification. *(Achieved Tertiary)*

Action Required	Resp.	Due Date
Ensure compliance with Health & Safety at Work Act 2015 and associated regulations.	Zero Harm Team Communications	Ongoing
Objectives, strategic plan and the Zero Harm calendar of events are communicated to the organisation.	Zero Harm Team Communications	*April 2016 plan has been signed off by Safety Action Team*
Conduct a Zero Harm culture survey to assess baseline culture and set regularly survey dates.	Zero Harm Team Human Resources	July 2016 *(Survey has been undertaken)*
Select five Promapp processes for external and internal reviews. *(Internal review regarding Huntly civic centre)*	Zero Harm Team	Annually *(Downer Zero Harm advisors to be used)*
Executive Leadership Forum to review critical risk register (six monthly).	Zero Harm Team Executive Team	Ongoing *(Review was carried out by ET in May 2016)* *Next review November*
Employees and are recognised for contribution and strong H&S ethos. (Includes Waifactor Awards, Chief Executive - Zero Harm moments)	Zero Harm Team Communications Human Resources	December 2016
Corporate Clothing / PPE (long long) policy and schedules reviewed and updated. Transfer registers to Safety Manager (BWare). PPE requirements to be documented in Position Descriptions.	Zero Harm Team Executive Team Communications Human Resources	*(Long/Long Policy tabled at Leadership Forum 27/7/16)*

ZERO HARM STRATEGIC PLAN

3. Customer Driven

Objective

Ensure Zero Harm is front of mind for all workers, contractors, elected representatives, communities, community boards, volunteers and visitors.

Action Required	Resp.	Due Date
Zero Harm Moments and H&S messages delivered at Chamber Chat meeting.	Zero Harm Team Chief Executive	Ongoing
Engage and encourage Zero Harm through operational excellence for all contractors, community boards, volunteers and any other person(s) conducting business undertaking.	Zero Harm Team Communications Manager to Contract	Ongoing *(Briefing sessions underway)*
Executive Leadership Team, Managers and Team Leaders to actively undertake "safe behaviour observations/conversations" and record outcomes.	Zero Harm Team Executive Team Managers	Ongoing *(Under action)*

4. Integrated Team Member

Objective

Empower all workers, and elected members to raise and manage health and safety concerns and issues across the organisation.

Action Required	Resp.	Due Date
Empower and support all SAT members to promote Zero Harm.	Zero Harm Team Safety Action Team	Immediate / Ongoing *(Safety Action Team members working with teams to review and update hazard registers)*
Research, develop and gain approval from ET for "first day back" workshop/policy.	Zero Harm Team Communications Human Resources	October 2016
Communicate and promote Strategic Plan to all workers. Make it available on the Intranet.	Zero Harm Team Communications	June 2016 *(Completed on Waisite)*
Zero Harm team to be available as a presenter and or resource(s) for team meetings organisation wide.	Zero Harm Team	Ongoing
Engage and empower all workers to recognize good Zero Harm behaviour and opportunities for improvement. (Inductions)	Zero Harm Team	Ongoing

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion
	Chief Executive
Date	1 August 2016
Prepared by	Rose Gray
	Council Support Manager
Chief Executive Approved	Y
DWS Document Set #	1570866
Report Title	Exclusion of the Public

1. EXECUTIVE SUMMARY

To ensure that the public are excluded from the meeting during discussion on public excluded items.

2. RECOMMENDATION

THAT the public be excluded from the meeting during discussion on the following items of business:

a.   Confirmation of Minutes dated 8 July 2016

3. ATTACHMENTS

Nil