

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Committee Rooms 1 & 2, District Office, 15 Galileo Street, Ngaruawahia on **MONDAY, 2 DECEMBER 2019** commencing at **1:00pm**.

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

**1. APOLOGIES AND LEAVE OF ABSENCE**

**2. CONFIRMATION OF STATUS OF AGENDA**

*Representatives from Audit New Zealand will be in attendance.*

**3. DISCLOSURES OF INTEREST**

**4. REPORTS – FOR DISCUSSION AND DECISION**

**4.1 Risk**

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GJ Ion  
**CHIEF EXECUTIVE**

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	18 November 2019
<b>Prepared by</b>	Katja Jenkins Risk Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Strategic Risk Register December 2019

## **I. EXECUTIVE SUMMARY**

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This report details:

- Strategic risks update (gap analysis);
- Recommendation for key strategic risk deep dive activity for next quarter; and
- Strategic risk activities.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

## **3. DISCUSSION**

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### Strategic Risk Gap Analysis

This Gap analysis examines the separation between the residual risk assessment for Councils Strategic Risks and our risk appetite. Six of the twelve strategic risks demonstrate misalignment. It should be noted that in most areas, discrepancies between appetite and residual risk are the result of identified circumstance, meaning that work is already underway to reduce the gap. A downward trend is therefore expected in many of the identified areas.

**R00184 – Zero Harm:** *Significant harm is caused to workers, or others, due to poor or inactive health and safety procedures, non-compliance with legislative requirements, or inadequate governance/ management of contractual health and safety requirements.*

Residual Rating:	Extreme
Risk Appetite:	Low
Alignment:	No

It is understood that on-going attention and significant work remains in this area to reduce the existing gap. The Zero Harm Team and Management are committed to prioritizing associated activity and have a strategic plan and work programme focussed on closing this gap. Additional resourcing has recently been provided to assist. The recent KPMG audit, although focussed on reviewing Council's activities to meet the obligations of Officers to exercise due diligence as required by the Health and Safety at Work Act 2015, has also made a number of good practice recommendations that will be incorporated into our Zero Harm Safety Management System. Implementation of these actions will support risk mitigation. It is also intended to undertake a "Bowtie" risk evaluation of the Zero Harm strategic risk to clearly understand the causal relationships and the treatments that are in place to minimise risk to as low as reasonably practicable ("ALARP").

Activity continues to be undertaken in accordance with the Zero Harm Strategic Plan, including the development of performance standards. Furthermore, the provision of training and support to Contract Managers and review of the existing Contractor Health and Safety Management documentation forms a piece of work towards improving contract governance, a known issue in this area.

**R00191 – Projects & Initiatives:** *Council fails to produce required project benefits due to poor delivery of projects and programmes caused by a lack of procedure or capability.*

Residual Rating:	Extreme
Risk Appetite:	Moderate
Alignment:	No

Work continues to be undertaken to embed a framework that will, over time, reduce risk in this space. This includes the recruitment of two qualified Project Managers to assist with the delivery of internal projects. In addition, over the past twelve months, key teams within the organisation were identified to participate in external (accredited) project management training and, since July 2019, forty (40) employees have completed internal training to supplement their knowledge.

Increasing maturity of the Project Governance Group ("PGG") has started to exhibit improved performance. This is demonstrated through capabilities in interpreting reports, seeking assurance through relevant questioning, and through an appropriate project review and prioritization process.

As part of the ongoing improvement process, the Project Management Advisor continues to engage at different levels of the organisation to collectively embed behaviours that support the delivery of the framework outcomes. Good progress is noted in a cultural shift displayed through acceptance of the organisational requirement to follow the framework.

Areas requiring effort to continue maturity progression include:

- resource management;
- project definition in terms of structure and efficiencies e.g. clustering work, tendering process;
- Managerial commitment to utilising internal reporting tools (to support ongoing staff engagement);

- PGG review and prioritization of Long Term Plan (“LTP”) projects (significant re-imagining of this process is underway).

Downward trend is expected for the residual risk over the coming twelve months.

**R00053 – Business Resilience:** *Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.*

Residual Rating: High (prior to deep dive process)  
 Residual Rating: Moderate (post deep dive process)  
 Risk Appetite: Low  
 Alignment: No

Updates and amendments for this risk have been identified through this quarter’s Audit & Risk Deep Dive report process. Recommendations will be discussed with the Executive Leadership Team (“ELT”) in December and implemented accordingly.

As it stands Council has a strong foundation of risk mitigations for business resilience and scheduled work programmes are expected to deliver outcomes that will reduce risk in this area.

**R00128 – Cyber Security:** *Council is exposed to significant business disruption caused by unauthorized access to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour.*

Residual Rating: High  
 Risk Appetite: Low to Moderate  
 Alignment: No

Work to reduce the gap between risk and appetite included a firewall upgrade, new anti-virus software, and initiation of a number of data specific projects including:

- Master Data Project (PR-1301) – aimed at introducing master data management principles to Council; and
- Business Intelligence & Data Warehouse Foundation Project (PR-1277) – creating an end to end Business Intelligence solution.

A Cyber Security Awareness communication plan is also proposed for the last quarter of the current (19/20) financial year. A progress report, detailing the Information Management work programme, will be prepared and presented to the Audit & Risk Committee in March 2020.

A Disaster Recovery Plan is in place and tested quarterly. Testing ensures all recovery servers are functional. A centralised Information Management Calendar schedules testing and tracks other implemented risk management actions including staff movement and access to digital systems.

**R00187 – Stakeholder Engagement:** *Council fails to deliver appropriate community outcomes and or wastes resources due to unsuitable stakeholder identification and interaction practices.*

Residual Rating: Moderate  
 Risk Appetite: Low  
 Alignment: No

A Communication & Engagement Strategy aligned with Liveable, Thriving, and Connected Communities is under development. The strategy will connect with Councils ambitions for communication, external relationships, engagement and marketing and aims to provide a framework that underpins the activities of the entire organisation. It will:

- focus on being proactive;
- support responsiveness and building trust;
- be intuitive rather than prescriptive;
- be practical and meaningful;
- integrate seamlessly with other organisational strategies; and
- be measurable.

As the strategy is implemented, outcomes are expected to bring the risk level into alignment with Councils appetite. The final draft of the strategy is due prior to the Christmas close down period.

**R00185 – Asset Management:** *Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.*

Residual Rating: High  
 Risk Appetite: Low  
 Alignment: No

A number of projects aimed at improving Councils assets knowledge are underway including:

- Asset Data Amalgamation Project (PR-I477) – aimed at improving asset data capture and storage to provide consistent renewal profiles, implement efficiencies in data maintenance and improve accuracy of financial records to underpin sound decision making and renewal forecasts;
- Enterprise Asset Management Project (PR-I278) – aimed at understanding the organisational requirements for effective asset management, translation into consistent process, policy and standards, and the provision of support through fit for purpose IT solutions; and
- Resource availability (attrition and recruitment) has resulted in delays in reducing risk in this area. A Community Asset Manager has now been appointed along with other key roles in the Community Assets Team. It is now anticipated that work towards risk reduction will demonstrate results over the following twelve to twenty-four months.

A number of other work streams which mitigate this risk are underway to including:

- Preparation for the annual asset re-valuation;
- Consultation with the Community Growth Team to confirm growth assumptions for the next draft of the Infrastructure Strategy and Asset Management Plans; and
- Engagement of consultant services to update the Roading Asset Management Plans.

**R00192 - Compliance Management:** *Council is exposed to significant financial loss or business disruption caused by non-compliance with legislative, regulatory or policy requirements.*

Residual Rating: Moderate  
 Risk Appetite: Low to Moderate  
 Alignment: Yes

Although this risk sits within organisational risk appetite, it is acknowledged that some room for improvement exists, particularly in the area of quality assurance. Some work has been done during the past twelve months to address these gaps including; revisit of report quality and legislative framework compliance, and, expansion of the legal team to include an in-house Resource Management Act Solicitor.

The previous year's audit programmes have been met, and the opportunities they deliver have been implemented into this year's work programme. The programme is currently on track.

**R00183 – Council Partnerships:** *Council experiences diminished public confidence and or operations are significantly impacted due to actions, representations or conduct of partnership enterprises or associations.*

Residual Rating: Moderate  
 Risk Appetite: Low (Reputation/ Image), Moderate (People)  
 Alignment: Yes

This risk currently falls within appetite however it has been identified that appropriate treatments specific to funding partnerships have not yet been formally documented. With consideration to the different elements of this risk, a recommendation was made at the September Audit & Risk Committee meeting for the ELT to define the risk's scope. This action is recommended to improve focus on the strategic component; either external funding partnerships or other Council partnerships (such as contractual) partnerships. The ELT will complete this work prior the next strategic risk review (March 2020).

Meanwhile work is currently underway to identify funding partnerships through the Partnership Portfolios Project (PR-1415). The project aims to identify funding partners to reduce financial burdens on communities and strengthen relationships with other organisations. The Funding & Partnership Manager, a new role established to champion the development of strong partnerships and implemented through the Gearing for Growth & Greatness restructure, is managing this project.

Likewise, a Contracts & Partnering Team have been established in the Service Delivery Group, to reduce risk in contractual relationships, another element of this risk. The team are currently working on reviewing procurement and contract management processes to

ensure the partnerships we enter into seamlessly deliver appropriate levels of service to our customers.

**R00230 – Growth:** *Council experiences significant business and community disruption caused by district growth.*

Residual Rating: High  
Risk Appetite: High  
Alignment: Yes

This risk falls within organisational appetite. A Community Growth Group, including a Growth Analytics & Strategic Projects function, was created as part of the recent restructure in response to identified growth impact. As this team matures, development of interdepartmental relationships will be critical to ensure visibility and enable effective operational outputs including risk reduction.

Risks associated with strategic projects are currently being recorded and managed through the organisational project management software (as per the project management framework). The ELT plan to implement a report at the monthly Operations meeting to maintain appropriate visibility of associated risks.

**R00190 – People & Culture:** *Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.*

Residual Rating: Moderate  
Risk Appetite: Moderate  
Alignment: Yes

The organisational change programme is currently mitigating this risk effectively and it remains within appetite. Ongoing affirmation of cultural development is demonstrated through initiatives including:

- Implementation of the Bold & Different Leadership Summit;
- Team Up 2020 Event
- Transition Planning (Executive and Senior Management Levels); and
- Integrated work programmes e.g. Implementing Risk Culture Project, the Wellness initiative, success celebrations.

**R00188 – Economic & Social Development:** *Waikato district suffers inhibited economic and social development and or missed funding opportunity as a result of poor planning, investment strategy, and or relationships.*

Residual Rating: Moderate  
Risk Appetite: Moderate (Political & Strategic), High (Growth)  
Alignment: Yes

This risk remains within organisational appetite however consideration of Councils role in social development is underway. This preliminary work has informed the draft social development strategy (expected to be finalised November 2019). Furthermore, a Growth

Strategy review is under development to update the existing District Development Strategy. This review will give due consideration to the Economic Development Strategy (2015) as well as the preliminary social development work.

**R00189 – Regional & National Strategic Planning & Legislative Reform:** *Council experiences significant disruption to business function caused by structural and legislative changes by central government and or national / regional strategic planning exercises.*

Residual Rating:           Moderate  
Risk Appetite:             Moderate  
Alignment:                 Yes

This risk remains within appetite. The maintenance of key relationships, discussions with central government and Councils integrated strategic framework for regulation and growth ensure appropriate visibility and opportunity for collaboration prior to changes taking effect. Strategic projects, such as Long Term Planning (LTP), support this framework and provide set process to accommodate currency of information and opportunity to align with requirements e.g. an environmental scan is about to be undertaken as part of preparation for the 2021 LTP. Furthermore, Council receives regular legislative updates through a variety of sources, to ensure that Council remains legislatively compliant.

#### Waters Services Strategic Risk

The ELT support the strategic risk associated with the Waters Contract now being included within the Stakeholder Engagement & Council Partnership context (risks R00187 and R00183 of the strategic register). A Relationship Manager, whose role is to act as a conduit and liaison between Watercare and Council, will manage this risk as part of their role. Recruitment for this position is underway.

There is some uncertainty however in Asset Management due to a lack of clarity of the condition of the existing waters assets. This risk is captured in the Waters Contract risk register and will be resolved through the transition period of the contract. The Waters Governance Board through the General Manager Service Delivery and Relationship Manager will have full visibility of and opportunity for input in to this process.

Post transition, it is acknowledged there is a risk one of the parties (Council or Watercare) chooses not to continue with the contract. This risk will predominantly be influenced by the consultation process; mitigations will develop as stakeholder requirements are established. The risk therefore also exists in the Stakeholder Engagement & Council Partnership context. As a contingency, a two year disengagement process has been included in the contract.

The ELT therefore considers it unnecessary for a strategic risk specific to the Waters Contract to be added to the strategic risk register at this time.

#### Key Risk – Next Quarter Deep Dive

It is recommended the next deep dive is focused on “Asset Management” risk. This risk currently sits outside Councils risk appetite. The recent recruitment of the Community Assets Manager provides opportunity for Council to review the existing risk

levels and stocktake mitigations to understand how the existing gap may be bridged through future work programmes.

### Strategic Risk Activities

During October 2019 the Risk Advisor met with subject matter experts including: Tauranga City Council's Business Continuity Advisor; Tauranga City Council's Corporate Services Team Leader; and Vodafone Auckland's Privacy Programme Manager, Privacy & Compliance to discuss strategies for implementing business continuity practices into an organisational culture. Learnings from the discussions will inform the Business Continuity Framework Development project (PR-1363) due to commence January 2020. Outcomes from the project act as additional mitigations for the strategic risk 'Business Resilience'.

Upcoming strategic risk activities with the ELT include:

- Strategic Risk Register Review (February 2020); and
- Risk Appetite Review (February 2020).

These activities will facilitate conversation at the March Audit & Risk Committee meeting to ensure the register and appetite statements are relevant and current.

## **4. CONCLUSION**

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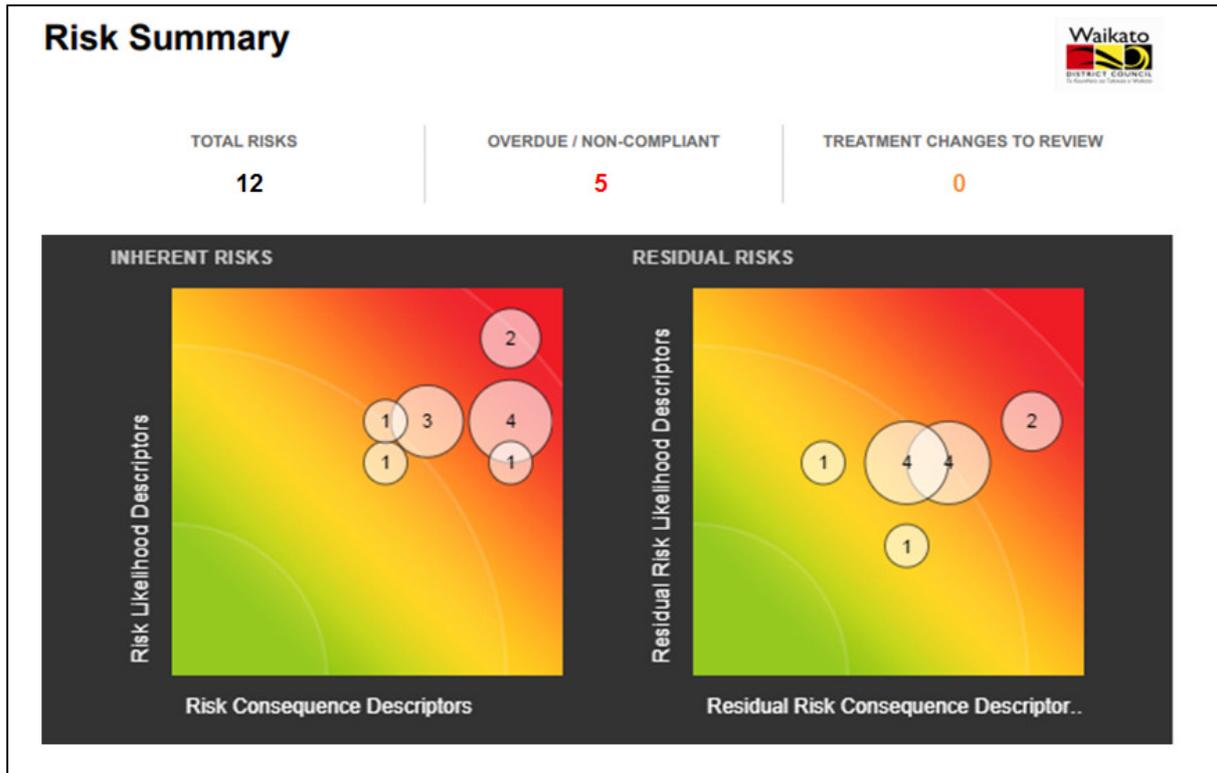
The Executive Leadership Team is comfortable with progress to reduce the gap between risk and risk appetite. Further reduction is expected as work programmes associated with audit outcomes and organisational change programmes are delivered.

## **5. ATTACHMENTS**

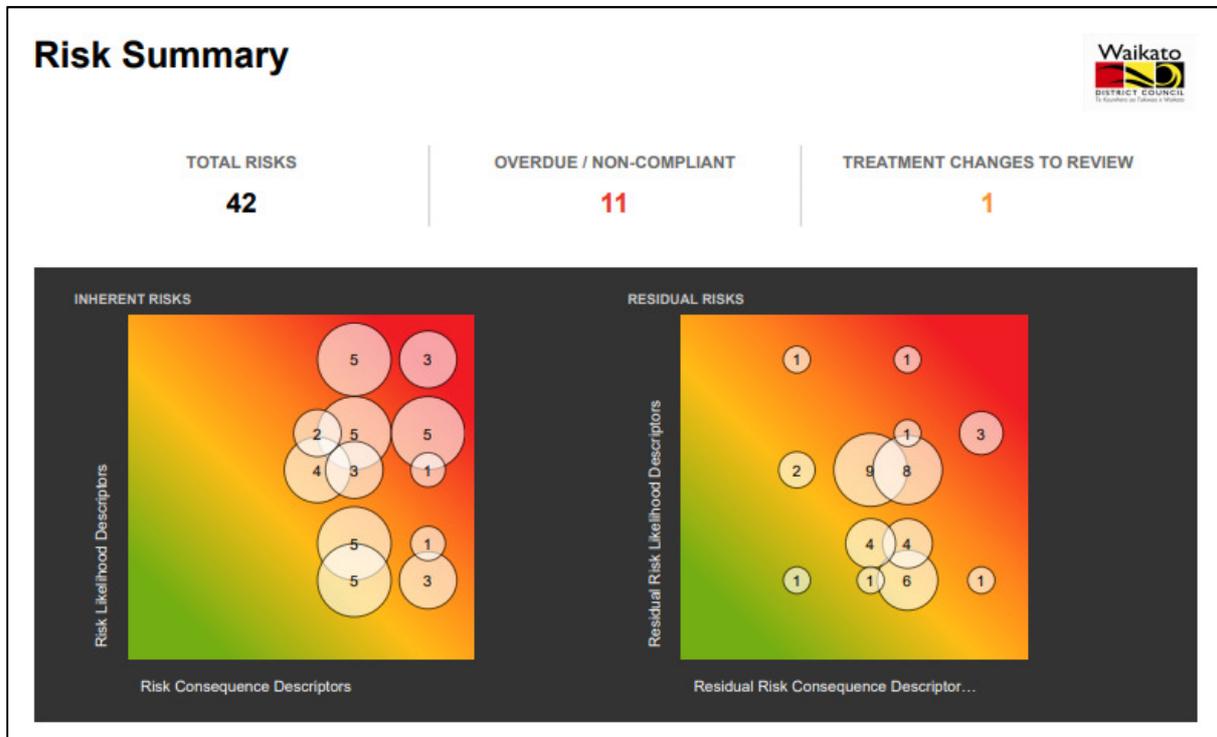
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- Appendix 1: A – Heat Map Strategic Risks December 2019
- Appendix 2: A – Strategic Risk Register December 2019

Strategic Risks



All Risks (Organisational – Promapp)



# Risk Register

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

RESIDUAL  
**20.0**  
EXTREME

INHERENT  
**25.0**

R00184

COMPLIANCE/ REGULATORY, PEOPLE, STRATEGIC, STRATEGIC (A&R COMMITTEE)

**Zero Harm;  
Significant harm is caused to workers, or others, due to poor or inactive health and safety procedures, non-compliance with legislative requirements, or inadequate governance/ management of contractual health and safety requirements.**

People are harmed as a result of the Council failing to implement and or maintain appropriate health and safety policies, procedures, and processes or sustain an H&S aware culture

OWNER Gavin Ion

CREATED 9/5/2016 10:47:22 AM

RISK LIKELIHOOD Almost Certain (5)  
DESCRIPTORS

RISK CONSEQUENCE Catastrophic (5)  
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Likely (4)  
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Catastrophic (5)  
DESCRIPTORS

TREATMENT MC00415

Zero Harm Strategic Plan

The strategic plan identifies high level strategic health and safety improvement activities to deliver on the Organisation's Zero Harm vision. The plan is developed by the Zero Harm Team and reviewed and approved by the ELT, SLT and Safety Action Team. Progress on achieving the plan is reported on to the Council via the Monthly Council Report and to the ELT on a weekly basis.

This treatment impacts the likelihood of the risk by providing clear expectation of organisational requirements and describing agreed governance and management methods.

TREATMENT MC00416

Monitor and maintain operational Zero Harm critical risk and hazard registers. Critical risks are identified and managed using the BowTie Risk Management approach. Critical risks are contained in an organisational risks register. Operational hazards are identified and recorded in hazard registers.

This treatment impacts the likelihood of harm by identifying and prioritizing operational risks across the organisation and planning mitigation to reduce, transfer or avoid the risk.

TREATMENT MC00435

Council Health and Safety management systems and processes are audited to AS/NZS 4801 Standard, currently Council has achieved ACC WSMP tertiary level. The chief executive and management team carry out due-diligence site visits in compliance with the Health and Safety at Work Act 2015. Contractors are audited on an on going schedule.

This treatment impacts the likelihood of the risk by ensuring that our systems and processes meet the required standards however, it should be noted that they may not meet the legislative requirements.

SIGNOFF(S): Lynn Shirley

DUE DATE: 01 Dec 2019

FREQUENCY: 1st day of every 6 months

SIGNOFF(S): Kylie Anderson  
Lynn Shirley

DUE DATE: 01 Dec 2019

FREQUENCY: 1st day of every 6 months

SIGNOFF(S): Lynn Shirley

DUE DATE: 01 Feb 2020

FREQUENCY: The first Day of every 12 months

## TREATMENT MC00437

The Executive Leadership Team review the organisation critical risk register 6mthly. Service delivery review risks specific to their operational group monthly.

The Executive Leadership Team hold safety conversations with staff around the critical risks to ensure what we say we do and what is actually done is in agreement or note any differences. The conversation also uncovers whether there are any other outstanding or important matters from a zero harm perspective that should be considered. This treatment impacts the likelihood of the risk by ensuring the Executive Leadership Team and Managers are aware of the risks and relevant treatment processes.

## TREATMENT MC00545

Waikato District Council has a Risk and Hazard management system known as BWare. BWare is used to record identified critical risks and hazards. Controls to manage critical risks and hazards are documented in BWare and actions can be assigned for control implementation. BWare is managed by the Zero Harm Team however it is the responsibility of all workers, management and contractors to comply with risk and hazard identification and management processes and procedures. The completion of actions is tracked weekly by the Zero Harm Team and status reports provided and discussed with the Executive Leadership Team (ELT) on a weekly basis.

This treatment impacts the likelihood of the risk by detailing site and occupation specific hazards and capturing and communicating relevant safety requirements.

## TREATMENT MC00584

The contract and tendering process has specifications which ensure that all contractors that are selected to undertake works (long or short term) supply details of H&S practices, including how and who will manage them. This process includes the contractor being added to the SHE Prequalified Contractor Database and ensures that all selected contracts include and meet Councils requirements for H&S and H&S legislative standards.

Periodic checks are performed by Councils Zero Harm team to monitor contractor compliance.

This treatment impacts the likelihood of the risk by providing clear and documented expectations to contractors during the selection and on-boarding process, reducing the risk of non-compliance.

SIGNOFF(S):

Gavin Ion

DUE DATE:

26 Dec 2019

FREQUENCY:

The last Thursday of every 6 months

SIGNOFF(S):

Lynn Shirley  
Kylie Anderson

DUE DATE:

31 Jul 2020

FREQUENCY:

The last Day of every 12 months

SIGNOFF(S):

Lynn Shirley

DUE DATE:

03 Aug 2020

FREQUENCY:

The first Weekday of every 12 months

RESIDUAL  
**20.0**  
EXTREME

INHERENT  
**25.0**

R00191

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

**Projects & Initiatives;  
Council fails to produce required project benefits due to poor delivery of projects and programmes caused by a lack of procedure or capability.**

Inconsistent knowledge, practices and or efficiency results in Council failing to deliver or perform against expected programme or project outcomes.

OWNER Kurt Abbot

CREATED 9/5/2016 12:23:20 PM

RISK LIKELIHOOD Almost Certain (5)  
DESCRIPTORS

RISK CONSEQUENCE Catastrophic (5)  
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Likely (4)  
DESCRIPTORS

RESIDUAL RISK Catastrophic (5)  
CONSEQUENCE  
DESCRIPTORS

14

TREATMENT MC00430

Every three years Council creates Long Term Plan (LTP) works streams that capture programmed works scheduled to deliver the LTP commitments. These work streams include annual Activity Management Plans (AMPs) that dictate which programmes will be undertaken (through projects and initiatives) for the subsequent period.

This treatment impacts the likelihood of the risk by detailing and documenting Councils annual and triannual work plan.

TREATMENT MC00431

In 2010 Council introduced a business specific Project Management Framework based on best practice project management methodology. In 2018 the methodology was reviewed and is currently being tested and rolled out to the business. The methodology provides a common and widely understood set of processes and tools to be used across Council to:

1. Deliver a consistent project approach
2. Align projects to strategic goals and outcomes
3. Facilitate collaboration between organisational teams
4. Offer an organisational view of all project work
5. Improve status/progress reporting
6. Increase project management knowledge
7. Identify opportunity for improvement and development

Dedicated project support staff augment and administrate the framework including delivery of system and methodology based training programmes.

This treatment impacts the likelihood by providing a higher level of transparency, by facilitating the identification and assessment of risks during planning and by providing a consistent approach to planning and managing project work.

TREATMENT MC00436

Implementation of Project Management Forum. The forum was mandated in September 2016 in response to recommendations of an external audit commissioned by Audit & Risk Committee during 2016. The Forum is primarily tasked to deliver priority recommendations that both aim to improve future project delivery at Council and provide greater consistency in project management and understanding across the organisation.

This treatment impacts the likelihood by promoting cross organisation buy-in and developing a consistent project minded culture.

SIGNOFF(S):

Ian Cathcart  
Sue O'Gorman

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 6 months

TREATMENT MC00438

Portfolio Management governance structure  
 The purpose of the governance structure is to:  
 - to prioritise a programme of work that delivers the Our Plan objectives  
 - to support and work with Project Managers to ensure projects are set up and executed correctly  
 - provide a level of governance and reporting medium for the programme to ensure transparency in project progress  
 - make decisions on project/programme specifics including; funding; resource allocation; prioritizing issues  
 This treatment impacts the consequence of the risk by ensuring that issues are identified and addressed in a timely manner and the likelihood by providing an additional, high level of governance and structure to projects that are likely to have strategic impact.

SIGNOFF(S): Kurt Abbot  
 DUE DATE: 01 Aug 2020  
 FREQUENCY: 1st day of every 12 months

RESIDUAL  
**12.0**  
 HIGH

INHERENT  
**15.0**

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

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

Council operations are impacted through failure to and create prioritize action plans for implementation in the event of a business impact incident.

OWNER Kurt Abbot

CREATED

RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RISK CONSEQUENCE DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS Major (4)

R00053

TREATMENT MC00138

The Business Continuity Project was completed as part of the Our Plan 2015/16 programme of work. As a result of the project the following business resilience planning and analysis has taken place;  
 - departmental business continuity impact analysis has been performed and documented  
 - Potential governance was considered as part of the project closure resulting in the implementation of a structured incident management team (including associated communication procedures and processes) and is now monitored by the Process Improvement Forum  
 This impacts the consequence by identifying and prioritizing critical business function in the event of an incident. It also provides a defined method of governance and communication to ensure management, support and recovery procedures are conducted in a coordinated manner.  
 A complete refresh and relaunch is being planned first half of 2019. Business continuity has now also been assigned as a key portfolio under the Risk Advisor role.

SIGNOFF(S): Kurt Abbot  
 DUE DATE: 01 Dec 2019  
 FREQUENCY: 1st day of every 12 months

## TREATMENT MC00456

Civil Defence & Emergency Management (CDEM) Waikato District Council is part of the CDEM group. The role of the group is to work in partnership with communities to ensure the effective and efficient delivery of emergency management within the Waikato region. Council employees are obligated to provide support where necessary as part of their roles (subject to situation specific circumstance). Council staff are trained in specific emergency management roles and have processes and procedures that aim to both reduce the impact of incidents and (where possible) to maintain the provision of Council services.

This treatment impacts the consequences of the risk by ensuring there is an organisational understanding of Councils commitment to maintain and manage the on-going delivery of Council services during an incident.

## TREATMENT MC00601

## Risk Management Framework

Councils Risk Management Framework includes policy, processes, Risk Advisor support, risk tools and documents and user guides. The Framework details organisational expectations in the risk space, best practice risk management practices and provides relevant templates and support to facilitate risk assessment across all levels of the business.

This treatment impacts the likelihood of the risk by ensuring that Council employees are equipped to effectively identify and manage risk and the consequence by assisting Council employees to plan appropriately and implement appropriate contingency practices.

SIGNOFF(S):

Kelly Newell

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Katja Jenkins

DUE DATE:

01 Jun 2020

FREQUENCY:

1st day of every 12 months

RESIDUAL  
12.0  
HIGH

INHERENT  
20.0

R00128

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

**Cyber Security;  
Council is exposed to significant business disruption caused by unauthorized access to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour.**

Council systems are compromised by cyber-crime or a lack of compliance with process resulting in significant financial and or business impact.

OWNER Gene Oudes

CREATED

RISK LIKELIHOOD DESCRIPTORS Likely (4)

RISK CONSEQUENCE DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS Major (4)

17

TREATMENT MC00427

Cyber security insurance cover (CyberEdge Liability Insurance) has been purchased.

Inclusions listed are:

- Data administrative investigations
- Data administrative fines
- Electronic data
- Repair of policy holders reputation
- Repair of individuals reputation
- Notification and monitoring costs
- Forensic service costs
- Media content library
- Cyber extortion
- Network interruption insurance

This impacts the consequence of the risk by facilitating expert resources, financial support and remedial works in the event of an incident.

TREATMENT MC00428

IM Business Continuity Plan:

The IM team have in place a BCP including a disaster recovery plan to align the technical IT recovery procedures to the overall enterprise BCP. It includes;

- a communication plan
- prioritising the critical systems for recovery first
- regular tests of back up and recovering procedures
- simulations with various scenarios

This treatment impacts the consequence by detailing priority procedures in the case of an incident, ensures systems/process are fully functional and that staff are aware of their responsibilities and trained to manage them in the case of an event.

TREATMENT MC00433

Cyber security is managed using best practise methodologies by using security measures at various layers of connection.

- Firewalls
- Server
- PC
- User
- Physical
- Wireless access
- WDC website

This impacts the likelihood by increasing the security of the environment.

TREATMENT MC00434

Internal and external audit and review (as part of the annual audit programme). This impacts the likelihood of the risk occurring by identifying possible weaknesses in process.

SIGNOFF(S):

Alison Diaz

DUE DATE:

01 Dec 2019

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Gene Oudes

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Gene Oudes

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Gene Oudes

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

RESIDUAL  
12.0  
HIGH

INHERENT  
20.0

R00185

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

**Asset Management;  
Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.**

Assets failures (including Waters and Roding) caused by poor planning, maintenance and or management.

OWNER Ian Cathcart

CREATED 9/5/2016 11:06:29 AM

RISK LIKELIHOOD  
DESCRIPTORS Likely (4)

RISK CONSEQUENCE  
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD  
DESCRIPTORS Possibly (3)

RESIDUAL RISK  
CONSEQUENCE  
DESCRIPTORS Major (4)

18

TREATMENT MC00162

Activity Management Policy

Councils Activity Management Policy provides statements on how Council will manage assets and deliver associated services in a cost effective, sustainable, well planned and coordinated manner to provide agreed levels of service. Its purpose is to outline the level of management appropriate for each activity for Council to achieve best management practice and meet statutory obligations.

This treatment impacts the likelihood of the risk by outlining what level of activity management the organisation is willing to commit to, therefore setting expectations for the organisation to deliver against.

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.

This treatment impacts the likelihood of the risk by detailing and providing visibility of expectations to ensure Council works to a consistent standard.

TREATMENT MC00464

The National Asset Management Standards dictate and define the Councils Activity Management Plans (AMPs). The AMPs are reviewed yearly and undergo a 3 yearly re-write to feed into Councils Long Term Plan (LTP) cycle.

This treatment impacts the likelihood of the risk by ensuring Councils AMPs adhere with national standards.

**OVERDUE**  
SIGNOFF(S):

Sue O'Gorman  
Robert Ashley

DUE DATE:

01 Sep 2019

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Ross Bayer  
Sharon Danks

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Sue O'Gorman  
Robert Ashley

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

## TREATMENT MC00465

Council has a number of asset management specific strategies in place and under development. These include:

- Parks & Facilities;
- Toilet Strategy, Cemetery Strategy, Trails Strategy, Te Kauwhata Trails Strategy, Esplanade Strategy, Parks Strategy, Aquatic Facilities Strategy, Sport and Recreation Strategy (joint with Sport Waikato), Playground Strategy
- Roading;
- Waikato Integrated land transport strategy (TO DO)
- Waters;
- 50 year water/wastewater/storm water strategies, 30 year infrastructure plan

This treatment impacts the likelihood of the risk by detailing and making visible Councils commitments for the management and maintenance of assets along with Councils commitment to level of service requirements.

## TREATMENT MC00466

Service Delivery performs regular and continual collection of asset data for the purpose of condition assessment. This data informs programmes of work associated with asset maintenance and renewals. Data collection sources include (but are not limited to):

- RAMM
- Asset Finder
- SPM
- dTIMS

This treatment impacts the likelihood of the risk by ensuring that data driven planning can take place to maintain assets. It also impacts the consequence by supplying the information required to ensure currency of asset condition reporting and any required contingency activities.

SIGNOFF(S):

Sharon Danks  
Ross Bayer  
Megan May

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Sharon Danks  
Ross Bayer  
Megan May

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

## TREATMENT MC00500

District Development (Growth) Strategy  
The purpose of the District Development Strategy is to provide the Council with a strategic spatial framework for development planning. The District Development Strategy links to the District Plan Review, the Long Term Plan, the Economic Development Strategy, the Infrastructure Strategy and the Integrated Land Transport Strategy.

This treatment impacts the likelihood of the risk by ensuring Council has an integrated strategic framework for regulation and growth related decision making. This assists with better economies of scale and enables provision of affordable infrastructure. The strategy is subject to periodic review.

SIGNOFF(S):

Jim Ebenhoh  
William Gauntlett

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**20.0**

R00230

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

**Growth;  
Council experiences significant business and community disruption caused by district growth.**

This may include but is not limited to; decay in LOS, unmanageable funding allocations, speed of growth exceeding or not meeting growth forecasts, etc.

OWNER Clive Morgan

CREATED 8/14/2018 2:19:14 PM

RISK LIKELIHOOD DESCRIPTORS Likely (4)

RISK CONSEQUENCE DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS Major (4)

20

TREATMENT MC00590

Hamilton to Auckland Corridor Programme and Future Proof Partnership  
This project examines growth pressures and opportunities across district boundaries.

This treatment impacts the likelihood of the risk through an enduring partnership approach, coordination of growth challenges and opportunities with the intention of giving effect to governments Urban Growth Agenda. It also impacts the consequence of the risk by ensuring transparency allowing for mitigation strategies to be implemented should developments arise.

TREATMENT MC00592

District wide & Local Area Blueprints  
These documents capture communities visions and will help to inform future work programmes (including funding allocation).

This activity impacts the likelihood of the risk by ensuring that our growth management approach reflects community aspirations and provides a platform of understanding for Council to facilitate planning. Furthermore it provides an idea of the disruption that Council is trying to avoid. It also informs the growth strategy in coordination with other sub-regional initiatives e.g. corridor plan.

TREATMENT MC00593

District Plan Review  
Incremental reviews are performed e.g. plan changes. Council is in the process of a comprehensive review (since 2014).

This treatment impacts the likelihood of the risk by setting the regulatory framework for sustainable use of natural resources and growth management to ensure it reflects strategic direction of Council and partners.

SIGNOFF(S): Vishal Ramduny  
DUE DATE: 29 Feb 2020  
FREQUENCY: The last Day of every 6 months

SIGNOFF(S): Jim Ebenhoh  
William Gauntlett  
DUE DATE: 29 Feb 2020  
FREQUENCY: The last Day of every 6 months

SIGNOFF(S): Jim Ebenhoh  
William Gauntlett  
DUE DATE: 29 Feb 2020  
FREQUENCY: The last Day of every 6 months

## TREATMENT MC00595

**Integrated Land Use & Infrastructure Planning**  
This treatment is not stand alone, it informs all strategic, policy and infrastructure planning undertaken by Council.

This approach includes;

- Recognition of the need within Council for a more integrate, focused and agile approach e.g. the creation of the Community Growth Group
- Development and maintenance of relationships with partners/agencies/service providers to enable a more unified planning approach as well as increasingly collaborative work with our neighboring councils (Hamilton and Auckland) to manage cross-boundary effects of growth.
- Addressing climate change mitigation by factoring such considerations into our network infrastructure planning, protecting highly versatile soils for food production, and identification of hazards
- Ensuring that this integrated planning approach flows through into funding decisions in the next Long Term Plan.

This treatment impacts the likelihood and consequences of the risk.

## TREATMENT MC00596

**Community Growth Group**

This group was created as part of the restructure in response to identified growth impact. The intent of the group is to ensure an integrated approach to land use, infrastructure planning and economic and social development across Council.

Within the Community Growth Group a Growth Analytics function has been created to monitor growth and population changes to better prepare us to respond to growth pressures.

This treatment impacts the likelihood of the risk by providing a dedicated team focusing on growth, growth management and community development.

## TREATMENT MC00597

**Implementation of National Policy Statement on Urban Development Capacity.**

This action impacts the likelihood of the risk by ensuring that Council monitors the adequacy of residential and business land to meet forecast demand.

SIGNOFF(S):

Clive Morgan

DUE DATE:

29 Feb 2020

FREQUENCY:

The last Day of every 12 months

SIGNOFF(S):

Clive Morgan

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Mark Davey  
Vishal Ramduny  
Jim Ebenhoh

DUE DATE:

29 Feb 2020

FREQUENCY:

The last Day of every 6 months

RESIDUAL  
**9.0**  
MODERATE

INHERENT  
**16.0**

R00190

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

**People & Culture;**  
**Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.**

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.

OWNER Vanessa Jenkins  
CREATED 9/5/2016 12:22:54 PM

RISK LIKELIHOOD Descriptors Likely (4)

RISK CONSEQUENCE Descriptors Major (4)

RESIDUAL RISK LIKELIHOOD Descriptors Possibly (3)

RESIDUAL RISK CONSEQUENCE Descriptors Moderate (3)

22

TREATMENT MC00474

**HR Strategy**

The HR Strategy guides the direction of Councils personnel management including but not limited to;

- Succession, recruitment and workforce planning
- Initiatives
- Support requirements (inc technology, market analytics and metrics)

This treatment impacts the likelihood by providing the structure to implement pro-active actions associated with attracting and maintaining resources.

TREATMENT MC00475

**Maintenance of peripheral workforce.**

Council's business groups maintain relationships with key consultancy practices for the purpose of employing specialist services and/or for providing resources where personnel vacancies exist or where it is identified that supplementary personnel are required in addition to the permanent workforce.

This treatment impacts the consequence of the risk by providing options for temporarily filling vacancies facilitating time for recruitment whilst maintaining business as usual.

TREATMENT MC00476

An organisational change program has been implemented to deliver initiatives associated with improved workplace culture and leadership. The program comprises a number of project work-streams championed by the Executive Leadership Team.

A Change Manager has been appointed to oversee and lead the process. Implementation is underway of new staff structure and reporting lines.

This treatment impacts the likelihood of the risk by providing a strategic approach to changing the organisational culture.

TREATMENT MC00600

Council has used new recruitment strategies with new media channels and new messaging which have increased the quality and quantity of applicants.

SIGNOFF(S): Vanessa Jenkins  
DUE DATE: 01 Mar 2020  
FREQUENCY: The first Day of every 6 months

**OVERDUE**  
SIGNOFF(S): Roger MacCulloch  
Ian Cathcart  
Sue O'Gorman  
Tony Whittaker  
DUE DATE: 01 Oct 2019  
FREQUENCY: The first Day of every 6 months

**OVERDUE**  
SIGNOFF(S): Gavin Ion  
DUE DATE: 01 Nov 2019  
FREQUENCY: The first Day of every 3 months

SIGNOFF(S): Jacob Quinn  
DUE DATE:  
FREQUENCY: Once

RESIDUAL  
**9.0**  
MODERATE

INHERENT  
**16.0**

R00187

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

**Stakeholder Engagement;  
Council fails to deliver appropriate community outcomes and or wastes resources due to unsuitable stakeholder identification and interaction practices.**

People become/remain disengaged as a result of Council failing to communicate/consult appropriately.

OWNER Jacob Quinn

CREATED 9/5/2016 11:20:04 AM

RISK LIKELIHOOD DESCRIPTORS Likely (4)

RISK CONSEQUENCE DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS Moderate (3)

23

TREATMENT MC00121

Engagement practices, including public meetings, are conducted to provide public engagement opportunities. These include but are not limited to:

- Long Term Plan, Bylaws and Annual Plans
  - Special Consultative Procedure
  - Reserve Management Plan (RMP - as per the Act)
  - Policy (statutory) Special Consultative Procedure
  - Policy (non-statutory) Section 82 and significance and engagement policy specification.
- This treatment impacts the likelihood by providing opportunities for people within the community to engage with Council in a variety of different mediums.

TREATMENT MC00164

**Engagement Strategy:**  
This Strategy provides WDC with guidance on its community engagement activities and practices.

The treatment impacts the likelihood of the risk by providing Council employees a practical guide to how we engage.

TREATMENT MC00165

**Significance & Engagement Policy**

The policy outlines 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.

This treatment impacts the likelihood of the risk by providing a practical guide that outlines how to assess the impact of action and suitable engagement practices to meet the assessment.

SIGNOFF(S): Jim Ebenhoh  
William Gauntlett  
DUE DATE: 01 Feb 2020  
FREQUENCY: 1st day of every 12 months

SIGNOFF(S): Jim Ebenhoh  
William Gauntlett  
DUE DATE: 01 Feb 2020  
FREQUENCY: 1st day of every 12 months

SIGNOFF(S): Jim Ebenhoh  
William Gauntlett  
DUE DATE: 01 Feb 2020  
FREQUENCY: 1st day of every 12 months

## TREATMENT MC00457

Implementation of appropriate strategies and policies to ensure community needs are captured and met. These include, but are not limited to:

- Confirmation of the Long Term Plan priority projects

- Community engagement policy
- Significance and engagement policy
- Community engagement strategy
- Customer complaints and compliments policy

This treatment impacts the likelihood of the risk by documenting Councils commitments and associated expectations relating to how councils engages with the community.

## TREATMENT MC00458

Council has a Communications Framework (a 2016 strategy) in place which guides the way we do things. A specific engagement strategy is under development as a key Our Plan project in 2019, as well as a refresh of Councils Communications Framework/Strategy.

This treatment will impact the likelihood of the risk by providing practical guidance for Council to support community engagement practices and the consequence by ensuring a consistent, defined and measured approach when planning and/or managing communications.

## TREATMENT MC00459

CE and Executive Team provide updates to Councillors, Community Boards and Committees on community plans through forward facing meetings.

This treatment impacts the likelihood of the risk by ensure adequate engagement with the community by communicating relevant plans, decisions and actions and by providing opportunity (through Board or Committee, venue or other medium) for feedback.

## TREATMENT MC00460

Community Development roles and Operational Field Staff.

A number of roles including Youth Engagement Advisor, Iwi Liaison and Community Development Advisor, aim to ensure that appropriate engagement is conducted with specific community groups. These roles are targeted, extending and adding to the engagement activities of front facing field staff e.g. Animal Control, Building, Libraries etc

This treatment impacts the likelihood of the risk by facilitating consideration of communication and engagement practices for community minorities, isolated groups and/or key community stakeholders.

SIGNOFF(S):

Jim Ebenhoh  
William Gauntlett

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 6 months

**OVERDUE**

SIGNOFF(S):

Jacob Quinn

DUE DATE:

01 Nov 2019

FREQUENCY:

1st day of every 3 months

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Tony Whittaker

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00461

**Engagement Virtual Team**

It is anticipated that the establishment of an Engagement Virtual Team will be one of the actions of the 2019 Engagement Strategy. This team will pull together key people from across the business so they can collectively ensure the Strategy is implemented.

This treatment will impact the likelihood of the risk by providing a dedicated team whose function is to ensure cross organisational strategic alignment.

TREATMENT MC00462

Council operates library and Council services from a number of locations across the district. This provides outreach and accessibility for communities within the district. Along with the provision of multiple offices, late night opening hours have been implemented to accommodate availability and convenience for communities. This treatment impacts the likelihood of the risk by facilitating community engagement through the facilitation of front facing interactions.

SIGNOFF(S):

Jacob Quinn

DUE DATE:

01 Jan 2020

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Brian Cathro

DUE DATE:

01 Apr 2020

FREQUENCY:

1st day of every 12 months

RESIDUAL  
**9.0**  
MODERATE

INHERENT  
**16.0**

R00188

FINANCIAL, POLITICAL, STRATEGIC, STRATEGIC (A&R COMMITTEE)

**Economic & Social Development; Waikato district suffers inhibited economic and social development and or missed funding opportunity as a result of poor planning, investment strategy, and or relationships.**

Council fails to promote and or identify opportunity for economic and social growth or fails to engage appropriately to encourage growth and development.

OWNER Clive Morgan

CREATED 9/5/2016 11:32:26 AM

RISK LIKELIHOOD Likely (4)  
DESCRIPTORS

RISK CONSEQUENCE Major (4)  
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Possibly (3)  
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Moderate (3)  
DESCRIPTORS

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.

This treatment impacts the likelihood of the risk by detailing and providing visibility of expectations to ensure Council works to a consistent standard.

SIGNOFF(S):

Ross Bayer  
Sharon Danks

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

## TREATMENT MC00469

**Economic Development Strategy**

The strategy assesses the economic profile of the district and identifies SWOT for the purpose of informing strategic direction.

There is a limited reference to social development within the strategy however community development initiatives are active and drafting a social development strategy has been scheduled for late 2019 - early 2020.

A regional economic development strategy is also in place to serve the wider community at a regional level, this strategy is aligned to the Waikato District EDS.

This treatment impacts the likelihood of the risk by ensuring that communities and businesses are engaged on an on-going basis, allocates effort and funding to targeted economic development initiatives and promotes the district as a viable prospect for business investment, residential and visitor (lifestyle) growth and development.

## TREATMENT MC00471

**Social Development Initiatives**

Council has adopted a number of socially related strategies that aim to consider and provide for the social outcomes in the districts communities.

These include, but are not limited to:

- Place Making Strategy
- Heritage Strategy
- Youth Engagement Plan
- Grant Funding Scheme

Although these initiatives impact the likelihood of the risk by providing a degree of focus and resources dedicated to social development they are essentially limited as a result of no guiding social development strategy or policy (for example, the ex-Frankin Social Wellbeing Policy).

## TREATMENT MC00472

**Cross Boundary Initiatives**

These initiatives aim to foster integrated planning across territorial boundaries, ensuring greater efficiencies and settlement planning across boundaries.

Example:

- North Waikato Infrastructure Programme Business Case,
- Future Proof
- Waikato Plan
- MOU Auckland Council
- National Policy Statement on Urban

Development capacity (requires collaboration with HCC to make land available for infrastructure to support residential and commercial development)

This treatment impacts the likelihood of the risk by providing a holistic approach to economic development and preventing limitations associated with territorial authority boundaries.

SIGNOFF(S):

Clive Morgan

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 6 months

SIGNOFF(S):

Julie Dolan

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 6 months

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Feb 2021

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00500

**District Development (Growth) Strategy**  
 The purpose of the District Development Strategy is to provide the Council with a strategic spatial framework for development planning. The District Development Strategy links to the District Plan Review, the Long Term Plan, the Economic Development Strategy, the Infrastructure Strategy and the Integrated Land Transport Strategy.

This treatment impacts the likelihood of the risk by ensuring Council has an integrated strategic framework for regulation and growth related decision making. This assists with better economies of scale and enables provision of affordable infrastructure. The strategy is subject to periodic review.

**SIGNOFF(S):** Jim Ebenhoh  
 William Gauntlett  
**DUE DATE:** 01 Feb 2020  
**FREQUENCY:** The first Day of every 12 months

RESIDUAL  
**9.0**  
 MODERATE

INHERENT  
**20.0**

COMPLIANCE/ REGULATORY, FINANCIAL, STRATEGIC, STRATEGIC (A&R COMMITTEE)

**Compliance Management;  
 Council is exposed to significant financial loss or business disruption caused by non-compliance with legislative, regulatory or policy requirements.**

Council are impacted as a result of being uniformed and or failing to comply with legal requirements.

**OWNER** Alison Diaz  
**CREATED** 9/5/2016 12:23:40 PM

**RISK LIKELIHOOD DESCRIPTORS** Likely (4)  
**RISK CONSEQUENCE DESCRIPTORS** Catastrophic (5)  
**RESIDUAL RISK LIKELIHOOD DESCRIPTORS** Possibly (3)  
**RESIDUAL RISK CONSEQUENCE DESCRIPTORS** Moderate (3)

R00192

TREATMENT MC00493

**Council Committees**  
 Council has regular committee and council meetings where proposals and issues are considered and decisions are made. The format of Committee and Council reports requires staff to refer to any legislative or policy aspects and implications, i.e. statutory authorities or duties to act, or policy consideration, pertaining to the information and recommendations of the reports. Councillors are informed of proposed, new or amended legislation at Council or Committee meetings.

This treatment impacts the likelihood of the risk by providing information to reduce the possibility of Council acting in contravention of statues or policies.

TREATMENT MC00494

**In-House Legal Team**  
 council has a legal team which provides advice on legislative requirements across the organisation. The team promotes early involvement and input in projects and activities in respect of legal aspects.

This treatment reduces the likelihood of Council being unaware of, or ignoring legal obligations in the course of conducting business.

**SIGNOFF(S):** Sue O’Gorman  
 Roger MacCulloch  
 Ian Cathcart  
 Tony Whittaker  
**DUE DATE:** 01 Apr 2020  
**FREQUENCY:** The first Day of every 12 months

**SIGNOFF(S):** Alison Diaz  
**DUE DATE:** 01 Feb 2020  
**FREQUENCY:** The first Day of every 12 months

TREATMENT MC00495

**Corporate Documents**

Long Term and Annual Plans and Reports, finance policies and documented processes mitigate Councils exposure to financial risk by documenting planning activities and financial forecasts.

This treatment reduces the likelihood of Councils planning and expenditure being undertaken in contravention of good stewardship and governance principles required under the Local Government Act 2002.

TREATMENT MC00496

**Council Reporting**

Regular Council function includes scheduled reporting that captures key considerations (such as financial and legal matters). Furthermore, Council is actively managing compliance with corporate procurement practices through data analytics. A report is prepared and presented to the Audit and Risk Committee every six months.

This treatment impacts the likelihood of the risk by providing Council confidence when making decisions that all pertinent legislative, regulatory and/or policy considerations have been taken into account.

TREATMENT MC00497

**Periodic Audit (Internal/External)**

Waikato District Council performs regular periodic audit (both internal and external) of processes and services for the purpose of identifying failures, weaknesses and/or exceptions. The audit process includes the provision of recommendations/mandate for improvement.

This treatment reduces the likelihood of non-compliance by ensuring the Council is meeting requirements and/or identifies non-compliance for action.

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Tony Whittaker  
Sue O'Gorman  
Roger MacCulloch  
Ian Cathcart

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00498

Documented processes and systems that require/encourage process adherence. Council uses an internal centralized repository (Promapp) to document organisational processes to allow cross organisational visibility for access and application.

Also, many of the organisational systems used for the purpose of capturing business work flow e.g. Property and Rating, require specific steps relating to process adherence for the user to progress with system use.

This treatment impacts the likelihood of the risk by providing a tool to guide users in the application of required standardised procedures, contributing to compliance management.

TREATMENT MC00508

Waikato District Council employs a number of Specialist Technical Roles that contribute to Compliance Management. Recruitment procedures for these roles require evidence of capability and/or certification. Where roles are unable to be filled with fully qualified personnel, training and development is facilitated to ensure staff have the required level of specialist knowledge to perform their roles in line with compliance requirements.

SIGNOFF(S):

Madelina Baena-Escamilla

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Vanessa Jenkins

DUE DATE:

30 Apr 2020

FREQUENCY:

The last Day of every 12 months

RESIDUAL  
**6.0**  
MODERATE

INHERENT  
**9.0**

R00183

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

**Council Partnerships;  
Council experiences diminished public confidence and or operations are significantly impacted due to actions, representations or conduct of partnership enterprises or associations.**

Councils reputation/operations are impacted as a result of actions, representations or conduct demonstrated by Partners and/or associates.

OWNER Sue O'Gorman

CREATED 9/5/2016 10:34:01 AM

RISK LIKELIHOOD Possibly (3)  
DESCRIPTORS

RISK CONSEQUENCE Moderate (3)  
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Unlikely (2)  
DESCRIPTORS

RESIDUAL RISK Moderate (3)  
CONSEQUENCE  
DESCRIPTORS

TREATMENT MC00483

Council has in place a robust tender process that includes in-depth detail regarding contractual requirements.

Long term public facing contracts and partnerships are effected through rigorous contractual agreements and continuous management plans. These include terms relating to contractual service level agreements (monitored and reported against as key performance indicators), employee training plans, safety inductions (all employees), and audit expectations. Long term contracts and partnerships include (but are not limited to):

- Belgaria Aquatics
- City Care
- Franklin Trees
- Alliance
- Water Care
- HCC (for water supply & waste water treatment)

This treatment impacts the likelihood of the risk by ensuring that all partners and long term contracts are selected through compliance with Councils requirements, and, that they understand Councils expectations and commit to delivering an agreed level of service in a safety and appropriate manner.

SIGNOFF(S):

Sharon Danks  
Megan May  
Ross Bayer

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 6 months

## TREATMENT MC00485

Shared Services (HCC, Waipa & WDC)  
Councils shared services agreements are managed using agreed processes and a governance structure which ensures they deliver against expectations. Arrangements include:

- Quarterly governance meetings
- Monthly operational meetings
- Auditing schedule (zero harm perspective).

The signed agreement can be found in ECM: Doc ID 856313

This treatment impacts the likelihood of the risk by ensuring regular communication and identification of emerging risks or issues and the consequence by providing opportunity for timely governance and action where issues are identified and/or it is deemed that expectations are not being met.

## TREATMENT MC00499

## TO DO

Implement a set protocol/process that defines how Council plans to implement new partnerships/long term contracts from the perspective of providing seamless integration of systems and resources at the point of requirements design and tender review.

This treatment aims to impact the likelihood of risk by minimizing lost efficiency and the consequence by reducing the risk of impact on customer services.

## TREATMENT MC00507

## Section 17a Review

Local authorities are under obligation to review and consider options for governance, funding and delivery of infrastructure, local public services and local regulation to ensure cost-effectiveness and quality of service.

Section 17A is one of several measures designed to encourage councils to seek efficiency, and to encourage councils to “partner” with each other and with other bodies to deliver services efficiently.

This treatment impacts the likelihood of the risk by acting to identify and therefore act against inefficiencies and/or inadequacies in the delivery of services.

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

**OVERDUE**

SIGNOFF(S):

Sue O’Gorman  
Tony Whittaker  
Roger MacCulloch  
Ian Cathcart

DUE DATE:

01 Oct 2019

FREQUENCY:

The first Day of every 3 months

SIGNOFF(S):

Tony Whittaker

DUE DATE:

30 Apr 2020

FREQUENCY:

The last Day of every 12 months

## TREATMENT MC00584

The contract and tendering process has specifications which ensure that all contractors that are selected to undertake works (long or short term) supply details of H&S practices, including how and who will manage them. This process includes the contractor being added to the SHE Prequalified Contractor Database and ensures that all selected contracts include and meet Councils requirements for H&S and H&S legislative standards. Periodic checks are performed by Councils Zero Harm team to monitor contractor compliance.

This treatment impacts the likelihood of the risk by providing clear and documented expectations to contractors during the selection and on-boarding process, reducing the risk of non-compliance.

SIGNOFF(S): Lynn Shirley  
DUE DATE: 03 Aug 2020  
FREQUENCY: The first Weekday of every 12 months

RESIDUAL  
6.0  
MODERATE

INHERENT  
12.0

R00189

POLITICAL, STRATEGIC, STRATEGIC (A&amp;R COMMITTEE)

**Regional & National Strategic Planning & Legislative Reform;  
Council experiences significant disruption to business function caused by structural and legislative changes by central government and or national / regional strategic planning exercises.**

Amendments to local or national legislation, government practices or other authorities require significant change to business operations.

OWNER Clive Morgan  
CREATED 9/5/2016 12:21:58 PM

RISK LIKELIHOOD DESCRIPTORS Likely (4)

RISK CONSEQUENCE DESCRIPTORS Moderate (3)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS Minor (2)

## TREATMENT MC00135

Council participates as a key stakeholder in the Waikato Mayoral forum, Waikato LASS and Future Proof. Through these initiatives Council proactively contributes to a single voice for the Waikato region to central government.

This treatment impacts the likelihood of the risk by capitalising on relationships with other councils in the region and by being part of a collaborative governance approach.

## TREATMENT MC00490

The Long Term Plan (LTP) and Annual Plan process provide a basis for an assessment of legislative and other external and internal influences on the business.

This treatment impacts the likelihood of the risk by ensuring Council is adequately informed of Regional and National governance development and provides a set process to accommodate currency of information to future planning.

## TREATMENT MC00491

Through applied process Councils keeps abreast of Government's legislative pronouncements and becomes involved through the submissions process in any development that would advocate Councils best interest.

This treatment impacts the likelihood of the risk by ensuring that Council not only has the required information regarding developments but an avenue to respond to/influence outcomes.

**OVERDUE**  
SIGNOFF(S): Gavin Ion  
DUE DATE: 01 Nov 2019  
FREQUENCY: 1st day of every 3 months

SIGNOFF(S): Jim Ebenhoh  
William Gauntlett  
DUE DATE: 01 Jan 2020  
FREQUENCY: 1st day of every 3 months

**OVERDUE**  
SIGNOFF(S): Christine Pidduck  
DUE DATE: 01 Nov 2019  
FREQUENCY: 1st day of every 3 months

## TREATMENT MC00492

Councils Chief Executive (CE) is committed to building a relationship with Wellington to facilitate open communication and ensure the organisation receives timely information and has opportunity for response and contribution.

Regular meetings are held with Central Government ministers and with a key manager in the Department of Internal Affairs.

This treatment impacts the likelihood of the risk by assisting in the timely communication of information and developments.

## TREATMENT MC00500

## District Development (Growth) Strategy

The purpose of the District Development Strategy is to provide the Council with a strategic spatial framework for development planning. The District Development Strategy links to the District Plan Review, the Long Term Plan, the Economic Development Strategy, the Infrastructure Strategy and the Integrated Land Transport Strategy.

This treatment impacts the likelihood of the risk by ensuring Council has an integrated strategic framework for regulation and growth related decision making. This assists with better economies of scale and enables provision of affordable infrastructure. The strategy is subject to periodic review.

## TREATMENT MC00598

Alignment of Council's "People and Capability" function to current and potential future needs of the organisation in terms of participating in, and responding to, national and regional strategic planning and legislative reforms.

This treatment impacts the likelihood of the risk by ensuring adequate numbers of staff, with diverse, flexible skills, including negotiation and persuasion, and the ability to provide value in a variety of planning and governance frameworks.

**OVERDUE**

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Nov 2019

FREQUENCY:

1st day of every 3 months

SIGNOFF(S):

Jim Ebenhoh  
William Gauntlett

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Jim Ebenhoh  
Vanessa Jenkins

DUE DATE:

06 Apr 2020

FREQUENCY:

The first Monday of every 12 months

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	19 November 2019
<b>Prepared by</b>	Katja Jenkins Risk Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Risk Framework December 2019

## **I. EXECUTIVE SUMMARY**

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This report details:

- Update on organisational risk management framework; and
- Updates on the level of organisational engagement in the risk management context.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

## **3. DISCUSSION**

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### Risk Management Framework

On 21 October 2019 the Executive Leadership Team approved recommendations, communicated through the first phase output report, from the Implementing risk culture project. The project was initiated as part of Waikato District Councils Risk Management Strategic Road Map and launched in line with the Organisational Change Program. It aims to progress Councils risk culture by enabling an appropriate and consistent approach to risk taking and encouraging the use of risk practices to inform decision making.

Recommendations centre on socialising and operationalising the key components of the Risk Management Framework including the Risk Appetite Statements and strategic risks. The proposed programme consists of three elements:

- I. An eighteen month engagement plan focused on business risk. Key engagement tactics include:
  - Storytelling

- Leadership led communications
  - 'Saturation' (risk related information)
2. A conventional education programme including:
    - Targeted internal educational (on-going programme)
    - Increased organisational visibility of risk
    - External training opportunities
  3. Staff empowerment including:
    - A risk management support network
    - Process, Tools, Systems
    - Progress Tracking

Approval of the recommendations initiates phase 2 of the project. Through this phase the three elements will be developed into a programme of works to be rolled out to the organisation (March 2020). The recommendations report, detailing all activities performed through phase 1 of the project, is attached (Appendix I).

#### Organisational Engagement

Challenges associated with the perception that risk activities are driven by the Risk Advisor continue to be apparent. Outcomes from the 'Implementing Risk Culture' project are expected to resolve many of these issues. In the interim, the Executive Leadership Team have committed to take some preliminary action to manage this perception. Actions include:

- Incorporating risk communications in to Chamber Chat
- Employing language that demonstrates higher value in risk related tasks
- Communicating risk actions to establish Executive accountability.

## **4. CONCLUSION**

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The 'Implementing Risk Culture' project is regarded as a key contributor to socialisation and operationalisation of the Risk Management Framework. Improved understanding and increased engagement with the Framework are expected as organisational culture matures.

## **5. ATTACHMENTS**

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Implementing Risk Culture – Recommendations Report

To	Executive Leadership Team
From	Kurt Abbot Katja Jenkins
Subject	Implementing Risk Culture Project (PR-1363) - Recommendations
Date	9 October 2019

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#### EXECUTIVE SUMMARY

The 'Implementing Risk Culture' (PR-1363) was initiated as part of Waikato District Councils Risk Management Strategic Road Map and launched in line with the Organisational Change Program. The project aims to progress Councils risk culture by enabling an appropriate and consistent approach to risk taking and encouraging the use of risk practices to inform decision making. The project structure, a phased approach, aims to ensure quality through process;

- Phase 1: Data collection
- Phase 2: Design
- Phase 3: Implementation

The purpose of this report is to present findings from the data collection phase of the project and provide recommendations for Executive Leadership Team approval, enabling commencement of phase 2.

Phase 1 of the project included the following activities;

- Internal modelling
  - Organisational risk culture profiling
  - Organisational change resistance profiling
  - Environmental profiling
- External modelling

Note: All activities in phase one were modelled on and undertaken with consideration to KPMG's Risk Maturity Assessment (2016) and the 'All of Government Enterprise Risk Maturity Assessment'.

Outputs from this phase will be used to determine fit for purpose engagement and education opportunities during the design phase (phase 2).

Activities used to perform the analysis and inform the subsequent recommendations include;

- Cross organisational surveying
- Face to face case studies;
- Online case study resources
- Cross organisational Insight Sessions

Key findings to support implementing change are determined to be;

- Council's strategic risks need to clearly align with the organisational vision to help facilitate all of organisation understanding of how individual roles and teams interact with delivering objectives.
- Senior Management, People Leaders and Staff need higher levels of visibility of strategic and emerging risks to help operationalize risk thinking across the broader organisation.
- Risk appetite statements need to accurately reflect the level of risk that the organisation is willing to take to empower employees to effectively operationalize them.

- All levels of the organisation need to develop a greater level of understanding of organisational risk appetite.
- The Executive Leadership Team and Senior Management need to build trust with employees that they will be supported when appropriate risk is taken.
- Transparency and visibility of organisational risk taking is required to develop organisational understanding of 'Risk as an Enabler' and progress a mind-set where risk and opportunity co-exist.
- Risk accountability and commitment to developing a positive risk culture needs to be lead by the Executive Leadership Team and Senior Management.
- Formalised risk reporting and record keeping need to be adopted as part of business as usual activities at all levels of the organisation

Significant effort is required to deliver the outcomes communicated through 'Our Plan' and, with the understanding that the risk element enables other elements of the plan, high priority must be placed on actively implementing risk as part of business as usual. Based on the identified requirements, priority recommendations are as follows;

1. An eighteen month engagement plan focused on business risk. Key engagement tactics include;
  - Storytelling
  - Leadership Led communications
  - 'Saturation' (risk related information)

Visibility is the key to raising people's awareness and promoting the importance of risk. To make risk more visible it is critical that the Executive Leadership Team and Senior Management lead from the top, capitalising on existing events to market risk as well as implementing custom engagement in alignment with Our Plan.

2. Implementation of a conventional education programme including;
  - Targeted internal educational (on-going programme)
  - Increased organisational visibility of risk
  - External training opportunities

Through education the organisation can develop a clear understanding of why risk matters. This facilitates a mind-set shift by introducing the concept of risk as opportunity, providing people the confidence to think differently about risk and by clearly defining what 'good' looks like. Internal training is cost effective, can be tailored to deliver maximum benefits and supports the development of relationships that can be leveraged to transfer knowledge to support autonomy in the risk space.

3. Staff empowerment through;
  - A risk support network
  - Process, Tools, Systems
  - Progress Tracking

Support mechanisms need to be available to enable growth. A Risk Forum will be cultivated to broaden exposure to and knowledge of risk practice. Performance and progress reporting will also be implemented to increase visibility and maintain focus. As progress is demonstrated, external assessors will be procured to identify opportunity for improvement.

To achieve the desired outcomes, the Executive Leadership Team is requested to authorise priority commitment to this programme.

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## **BACKGROUND**

The 'Implementing Risk Culture' (PR-1363) project aims to progress Councils risk culture, in line with KPMG's Risk Maturity Assessment (2016) ("KPMG-RMA") and the Waikato District Council Risk Management Strategic Road Map; 'Risk Culture' work stream.

Risk culture is the behavioural norms associated with our values, beliefs, knowledge, attitude and understanding of risk. As an organisation our demonstration of these elements determines our collective ability to identify, understand, discuss and act on organisational risks; now and in the future.

In 2016 KPMG assessed Waikato District Council against their 'Risk Maturity Model. The 'Risk Culture' assessment stream defined Councils risk culture as 'Weak'. The definition of this assessment is as follow;

- *Governance pre-requisites for a formal risk management framework are not in place. Risk management processes and frameworks are siloed, undocumented, inconsistent, and/or lack clarity. Risk Management activities are not aligned with business strategy.*
- *Risk management capabilities are dependent on individuals.*
- *Risk is not consistently considered as business decisions are made.*

KPMG described Councils risk culture as;

- *Reactive, Static, Mechanical, Conservative*
- *Requiring practice*
- *In need of open, cross departmental dialogue*
- *Lacking leadership, and,*
- *Considered as laborious*

Similarly, the All of Government Risk Maturity Assessment Framework describes this level of maturity within the culture element as 'M1'. Definitions for 'M1' are;

- *There is no clear link between organisational values and behaviours and risk informed decision making.*
- *There is limited understanding of the concept of risk appetite by senior business leaders.*
- *There is no formal definition of innovation and what it means for the agency's risk appetite.*

Based on the AoG-RMA minimum maturity level calculation Waikato District Council should aim to progress the risk culture to 'M3', defined as;

- *Risk management practices are well defined, documented and there is consistent application across all business units. Senior business leaders actively promote the value of enterprise risk management across the agency. There is good use of evidence-based data and more sophisticated risk management techniques to support risk informed decision making and provide risk-based assurance that risks are being managed effectively. As a result, overall business performance is predictable with limited variation from expected outcomes.*

Note: The All of Government Risk Maturity Assessment Framework ("AoG-RMA") is a standardised online self-assessment tool. With consideration to cost efficiency and for the purpose of on-going self-assessment Waikato District Council will continue to use this as our primary measurement tool. Custom internal measures e.g. survey results, have been added to Councils downloaded copy of the AoG-RMA to supplement assessment. Subsequent assessments will continue to be cross checked against the KPMG-RMA to maintain alignment.

AoG-RMA link;

<https://www.digital.govt.nz/standards-and-guidance/governance/system-assurance/enterprise-risk-maturity/>

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## DISCUSSION

Risk culture directly influences an organisations risk appetite. With this in mind, we must consider the difference between what we say and believe we do and what we actually do. Furthermore, the culture aspect of risk management maturity enables progression and operationalization of all other risk management maturity work streams.

For the purpose of improvement the organisation has in the first instance defined what good looks like. Waikato District Council defines good risk culture as;

- Risk management is proactive, dynamic, instinctive, and innovative.
- Executive Leadership, Senior Management, and People Leaders demonstrate a pragmatic and collaborative approach. They engage in cross organisational discussions (holistic rather than siloed) and identify and share learning opportunities. They encourage open and honest dialogue from their teams
- Risk management is well practiced and communicated at all levels across the wider organisation.
- Employees are knowledgeable on risk process and support systems.
- Risk management is viewed as part of business as usual.
- Staff and managers are confident that their decisions are well thought out and that risks and benefits are appropriately balanced.
- Project and activity outcomes are improved as people use risk as a tool to determine the best way to do things.

The following elements are considered critical in demonstrating a good risk culture;

- Clear and well communicated risk strategy
- High standards of cross organisational information sharing
- Timely escalation of risks (threats/concerns/opportunities)
- Visible and consistent role-modelling of desired behaviours by Executive and Senior Managers
- Incentives to encourage people to demonstrate desired behaviours (do the right thing)
- Continuous and constructive review and revision of actions and activities across all levels of the organisation

To reinforce this understanding it is beneficial to recognise undesirable behaviours and common elements that contribute to risk culture failures. These include;

- Poor communication e.g. warning signs of external/internal risks are not shared (causes may be fear, deception, ignorance or lack of prioritisation)
- Unclear tolerance e.g. a lack of communicated risk appetite, approach and or strategy
- Lack of insight e.g. failure to understand organisational risks or inappropriate transfer of accountability for risk
- Over confidence e.g. a belief that an organisation is insulated from or immune to risk
- Deficient innovation strategy e.g. an organisation fails to challenge existing attitudes, ideas or actions
- Fear e.g. people are inhibited by the potential response to risk related information or change
- Inappropriate response mechanisms
  - Slow response (lack of prioritisation)
  - Indifference e.g. the organisation discourages response or responds apathetically to a known situation (causes may be refusal to accept facts, incompetence, or deceit)
- Misalignment e.g. Risk appetites do not align with organisational profiles (may result in inappropriate activity, inconsistency and siloed culture)

The 'Implementing Risk Culture' project, aims to progress Councils risk culture by creating an environment that enables good risk culture. This involves identifying the component activities that embed the desired culture in to the organisation. The project is structured as a phased approach;

- Phase 1: Data collection

- Phase 2: Design
- Phase 3: Implementation

Phase 1 employed targeted information gathering techniques to establish what we actually do, as opposed to what we say/believe we do and document effective development methods (as demonstrated by other industry leaders) to inform fit for purpose engagement and education opportunities (phase 2).

The

Project objectives are to advance Councils existing risk culture from AoG-RMA 'M1' (KPMG-RMA 'Weak') to AoG-RMA 'M2' by July 2020. The definitions for this progression are as follows;

AoG-RMA 'M2';

- *Risk informed decision making is implied in organisational values and behaviours.*
- *There is a basic understanding of the concept of risk appetite by senior business leaders, although tolerance levels for different types of risk have not been defined.*
- *Council has a common definition of innovation but this is not linked to risk appetite in any way.*
- *Risk appetite, including the desire for innovation, is considered informally as part of strategic planning and decision making processes.*

Subsequently, should the recommended activities (as detailed in this report) be approved as an on-going programme of work, the objective would be to advance Councils risk culture to AoG-RMA 'M3' by July 2021.

AoG-RMA 'M3';

- *There is an explicit link between organisational values and behaviours and risk informed decision making.*
- *There is a comprehensive risk appetite statement in place that has been approved by the senior leadership team.*
- *Risk tolerance levels for individual risks have been defined using basic risk rating criteria (e.g. High, Medium, Low).*
- *The agency has a common definition of innovation and there is some link to risk appetite e.g. tolerance levels for change and transformation risk have been agreed.*
- *Risk appetite and the desire for innovation are formally considered as part of strategic planning and decision making processes.*

At this time added value could be gained by engaging an external provider (preferably KPMG to maintain consistency) to perform a subsequent maturity assessment. This approach is suggested for the purpose of ensuring quality and to enable on-going development.

## **OUTCOMES**

### **Risk Survey**

During May and June 2019 a survey, developed to align with the KPMG-RMA and the AoG-RMA risk culture elements, was released to all levels of the organisation (including Councillors). The survey aimed to assess the organisations awareness and knowledge of business risk and to assess at a fundamental level the risk culture. A total of 197 respondents completed the survey over a two week period. Key findings from the survey were;

- There are significant inconsistencies in risk appetite at each of the different levels of the organisation e.g. employee, people leaders, management, councillors
- Roles and responsibilities for risk management (at all levels of the organisation) are not understood

- People had almost no knowledge of the organisations strategic risks or how they relate to the corporate vision.
- People had almost no knowledge of the organisational risk appetites or how they relate to business activities
- The organisation is operating as reactive rather than proactive in response to risk
- Risk practices are considered surplus to usual business activity
- There is a significant disconnect in the understanding of operational risk practice between Senior Leadership, Team Leaders and Staff
- Executive and Senior Leadership accountability for driving good risk practice is passive

On the positive;

- People stated that they want to learn more about risk e.g.
  - understanding business risks that impact them
  - understanding what the organisational expectations are associated with risk
  - using tools and techniques to assist with risk thinking
- People communicated clearly that they want to take some more initiative

### Case Studies

During May and June 2019 four face-to-face case studies were conducted. Three of these were with recognised industry leaders in the risk management space. The case studies aimed to gain an understanding of tactics other agencies had employed to successfully embed positive risk cultures into their business. The case studies included the following agencies;

- Auckland City Council
- Watercare Services Limited
- Metro Trains Melbourne
- SNC Lavalin (Asia Pacific)

Additional learnings were garnered through online resources including (but not limited to);

- Enterprise Risk Culture: From Elusive Phenomenon to Pragmatic Solutions (Dr Hilary Lewis, University of Bristol, Systemic Consult, Joshua Corrigan, Milliman)
- Taking Control of Organisational Risk Culture (Cindy Levy, Eric Lamarre, James Twining, McKinsey & Co)
- Commonwealth Bank Australia; Culture (Australian Prudent Regulation Authority)
- Organisational Readiness for ERP Implementation (Glenn Stewart, Queensland University of Technology)
- Risk Culture (Commercial feature - Willis Towers Watson)

Key success factors included;

- Leadership
  - Risk culture is led by the CEO
  - There is full commitment from the Executive (engagement and buy in)
  - Risk needs to be considered important. Executive and Senior Management as well as People Leaders must promote risk as a key topic
  - Executive and Senior Leadership must engage with and encourage open and honest dialogue associated with risk taking
  - Executive Leadership must cascade risk information across all of business e.g. monthly meetings with their Senior Managers and People Leaders, performance reporting
  - Management needs to consider their response to “bad news” to help make people feel they can be open and honest.
  - Management should request quarterly updates on risk registers from each business unit/team
  - GM/Executives should identify their top 10 risks and cascade them through teams
- People

- People need to feel safe having risk conversations. The organisation must adopt and demonstrate a no blame culture.
- People must be given appropriate opportunity and time to develop.
- Psychology needs to be implemented to help the culture develop.
- Support
  - There needs to be a community of support to develop a culture. One person cannot effectively drive change. Risk advocates should be implemented.
  - Risk advocate roles should be promoted to attract talent and advocates must exhibit relevant skills to facilitate advancement of risk management objectives
- Training
  - Induction to risk is important. Make people feel it is important from day one.
  - Discuss lessons learnt regularly.
  - Training needs to be interactive and pragmatic
  - Training should be tailored to engage people at appropriate levels
  - Training needs to align with organisational objectives
- Business Structure
  - Incorporation of risk strategy into everything you do
  - Risk advisory services need access to relevant meetings, agendas and minutes
  - Review of corporate risks should be formalised through corporate schedules e.g. quarterly
  - Internal and external reporting needs to include risk sections

### Insight Sessions

During August and September 2019 twenty-two (22) candidates (identified using a set of criteria) were invited to participate in insight sessions aimed at gaining an in-depth understanding of;

- complexities associated with risk management within different business units;
- how people currently relate to risk and to the organisational risk culture;
- what people want to learn;
- different types of learning preferences across the organisation

Key findings from this process were;

- People are experiencing fear. They are afraid of the consequences of taking risks (note this was predominantly expressed as the result of prior experience). Examples included;
  - Backlash from the community
  - Lack of support and or influence and pressure from the organisation at Senior and Executive levels (including Councillors)
  - Damage to professional reputation / perception of integrity
  - Impact on other areas of the organisation e.g. capacity, resourcing
  - Threat of litigation
- In the context of risk associated with business improvement, people do not believe that existing systems and processes are efficient enough to support change requirements
- People associate significant challenges with risk and change. Examples included;
  - Time pressure
  - Resource capacity
  - Prioritization
  - Organisational silos and internal stakeholder relationships
  - Digital/Technical constraints
  - Complexity in process
  - Culture (we've tried it before; it doesn't work)
  - Mind-set (change approach)
  - Lack of accountability
- People had not heard the term nor had any preconceived understanding of the term 'Risk as an Enabler'

- Risk is predominantly viewed as a negative entity; opportunity is not considered as part of the risk management function
- Risk appetite; almost all interviewees expressed that they were risk adverse (as a result of the points detailed above)

On the positive;

- People want to take more opportunities. Examples include;
  - Being more creative, flexible and innovative
  - Making decisions based on risk balanced against value/outcomes rather than being driven by rules
  - Getting things done faster
  - Putting greater focus on good community outcomes (less on process)
  - Putting greater focus on the stuff that really matters (less reactive)
- People want to develop their professional confidence and they want their colleagues to do the same to enable more efficient outcomes
- People want to take a more tailored approach to how they work to deliver better outcomes
- People were able to identify how their business activities interacted with the strategic risks
- People are open to learning how to operationalize risk management

## **RECOMMENDATIONS**

With consideration to the findings detailed in this report the following recommendations are made to support development of a positive risk culture.

### **Approach: Engagement**

The engagement plan is proposed to be delivered over an eighteen month period incorporating existing opportunities e.g. chamber chat, team talks, and combined with targeted communication mediums e.g. Waisite. The key elements of the engagement plan will be;

- Storytelling
- Leadership Led communication
- 'Saturation' as a tactic

### **High Level Plan: Engagement**

#### **Storytelling**

- Why risk matters

In order to have an engaged workforce they need to understand the why. Why they should invest in and commit to risk based thinking and applying risk management processes. The 'why' can help to shift mind-sets to provide a positive view of risk and introduce the concept of risk as opportunity.

- What does success look like

People need to know what 'good' looks like. Armed with awareness of what 'good' is, people will develop an understanding of what the organisation expects of them; it provides a goal to work towards in the risk space.

- How can risk enable better outcomes

A clear understanding of risk tolerance as an enabler for innovation will provide people the confidence to start to think differently about risk and consider how it can contribute to the way they work. Comprehension of the concept supports learning for the purpose of operationalization.

#### **Leadership Led**

- Demonstrated accountability

The Executive Leadership Team and Senior Management will lead from the top and make risk a high priority by actively implementing business risk activities as part of business as usual. Activities will include;

- Organisation wide communication of strategic risks including quarterly progress reporting
- Formalisation of risk management through targeted measures e.g. development of a risk related KPI
- Addition of risk as part of all People Leaders professional development plans
- Risk introduced as an agenda item at all key internal meetings including Group Leadership Meeting, People Leaders Summits
- Implementation of a quarterly risk meeting between Executive Leadership Team and Business Unit Managers.

### Saturation

Similar to tactics applied for developing organisational accountability for Zero Harm, saturation of business risk principles will be applied over the course of the engagement plan. Demonstrated accountability will contribute to approach with additional targeted communications utilising existing channels. Examples include;

- Implementation of risk as a key topic Chamber Chat and Team Talks. Content will include;
  - Strategic Risks and gap analysis; dashboard reporting
  - Lessons Learnt (Risks and Opportunities); demonstrated examples
- Emerging risk as an agenda item at Team Talks
- Monthly rewards (publicised through Waisite) for proactive risk and opportunity engagement activities (identification/value determination/assessment/management)
- Regular bite sized video clips discussing risk thinking principles (publicised through Waisite)
- Monthly Executive Leadership Team communications detailing positive risk activity

### **Approach: Education**

The education portion of delivering the “Implementing Risk Culture” project focuses on developing organisational understanding of the term “Risk as an Enabler”. It will include;

- A targeted internal educational (on-going programme)
- Increased organisational visibility of risk
- Potential for external training opportunities

### **High Level Plan: Education**

Internal Educational Programme: Internal training will be used as a foundation for developing internal risk culture. This approach is included as a strategy to develop internal relationships. These relationships will later support the empowerment element of the programme by encouraging knowledge transfer between employees. Furthermore it is the most cost-effective way of delivering cross organisational training.

The predominant marketing themes for the education element of the programme will be; “Do it right” aligning with Our Plan and, subliminally, “what’s in it for me?” a key tactic for advocating change.

The training will be tailored and include true-to-life examples, problems, and challenges that employees encounter every day at work. It will be designed and presented using language that employees understand and can relate to. It will take a contemporary approach to training by applying a variety of learning methods based on preferences identified during the data collection process. Methods include;

- Digital learning e.g. explainer videos
- Face to face learning sessions e.g. group/team presentations
- Online learning e.g. quizzes and questionnaires, web-based

- Workshops and scenario based learning sessions e.g. team based problem solving/risk assessment workshops

Tactics used to promote risk education have as much of an impact on overall success as the quality of content in the first place. Tactics that will be used to successfully deliver the programme include;

- Content marketing; directing people to risk based online content e.g. video, blogs, social media (the intent of these products is to stimulate interest)
- Targeted marketing e.g. People Leaders, tailored team based learning,

Key Subjects include;

- Waikato District Council Risk Induction
- Risk based thinking
- Risk and Opportunity
  - Risk benefit ratio
  - Risk based decision making
  - Solutions based risk thinking
- Risk in projects
- Pragmatic Risk Management

Note: The Promapp training module will be used as a channel when it is launched operationally.

Increased Risk Visibility: Visibility is key to raising people's awareness, developing interest and promoting the importance of risk. Visibility in essence is marketing; it's used to highlight benefits, ideas and expectations, and to demonstrate progress. Without appropriate marketing, even the most valuable idea will fail to reach its full potential.

The process for increasing visibility does not need to be arduous. Efficiency can be gained by making clever, focused decisions, being selective and working with existing channels to maximise exposure e.g. incorporating risk conversations into existing organisational mechanisms, like Chamber Chat.

Specific occasions to increase visibility are documented throughout the recommendations section of this report. The over-arching strategy however is the implementation of an annual risk engagement plan that aligns with and capitalises on existing events with additional independent events specific to marketing risk.

External training opportunities: As outlined internal training is the core approach of this recommendation however there are benefits that can be gained from supplementing the internal programme. External training for example can offer new ways of approaching risk thinking, impartially challenge entrenched attitudes, create interest, offer broad experience and effectively transfer information through specialist knowledge (delivered by an expert).

Additional external training may therefore be procured to complement the internal programme. All external training will be;

- Needs based (case by case evaluation)
- Assessed for viability using benefits and cost
- Subject to budget availability

### **Approach: Empowerment**

The empowerment portion of the delivery focuses on providing relevant support and education to enable people to accept responsibility without fear and develop autonomy in the risk space. This element aims to help people to recognise and use available resources, to influence each other through self-led learning and to be confident that they are doing the right thing. It will include;

- Support Networking
- Process, Tools, Systems
- Progress Tracking

### High Level Plan: Empowerment

Support Networking: It takes a community to develop a culture. It needs to be backed and demonstrated by management at all levels but it also needs to be supported at the coalface, by people who are accessible, credible and motivated. These individuals will act as key influencers advocating risk and helping to promote risk culture within their business units and broader groups. Success with this approach relies heavily on advocates exhibiting specific skills including;

- Confident communication
- Willingness to transfer knowledge and skills
- Proactivity
- Ambition
- Ability to influence

Advocates will be identified and recruited through the engagement and education portion of the programme. Tactics to attract people to the roles will include;

- Career development e.g. acquired skills, external learning opportunities
- Exposure (to Executive Leadership Team and Senior Management)
- Networking opportunities (external experts)

A Risk Forum will be established to support the risk advocates. The forum will be interactive, provide learning and development opportunities and have Executive sponsorship.

The role of the advocates will include;

- Commitment to attend and contribute to monthly Risk Forum meetings
- Engaging with group general manager and other members of the senior management team to collect and disseminate risk information e.g. emerging risks, opportunities
- Risk escalation
- Quality assurance
- Collating good news stories associated with risk and opportunities within their groups
- Supporting risk culture development through group and team engagement (including implementation of risk as an agenda item at team meetings)

As the Risk Forum matures, it will contribute to the organisations second line of defence by receiving and analysing emerging risks to determine escalation requirements, performing quality assurance and promoting risk thinking. To facilitate achievement of these objectives, a higher level of transparency of organisational risk is required. This visibility will be achieved through;

- The Executive Leadership Team and Senior Management keeping risk advocates informed of new or dynamic activities, projects, policies and processes
- Assigning risk advocate access to relevant meetings and agendas e.g.
  - Senior Leadership Meetings
  - Executive Meetings
  - Organisational performance and progress reporting
  - Planning, regulatory and governance committee meetings

Note: the Risk Advisor will perform this role until advocates are identified and developed.

Process, Tools, Systems: To enable the organisation to develop, fit for purpose support mechanisms need to be available. These include processes for identifying, reporting and managing risks, risk assessment tools and templates, access to learning and development materials, measures, schedules and clear and defined expectations.

A risk management framework, with tools, systems and processes is already in place. A risk activities schedule and measures will be added to the framework. To maintain currency the framework will be subject to continuous improvement. Progression will be supported through;

- The development of industry networks e.g. Regional Risk Forum, stakeholder relationships with specialist services such as KPMG, Deloitte etc.

- Engagement in development forum opportunities e.g. conferences, insights sessions, seminars
- Online learning

Progress Tracking: Achieving goals requires us to maintain focus. Monitoring our progress is an effective way of not losing sight of what is important in order to achieve our goals. It enables efficiency and flexibility by identifying when and where changes need to be made and provides opportunity to evaluate our performance.

Understanding and communicating progress facilitates empowerment by;

- Communicating expectations
- Facilitating meaningful conversations
- Identifying development opportunity
- Fostering a culture of improvement

The 'Implementing Risk Culture' programme progress will be tracked by;

- Delivery of key objectives within project timeframes (for project duration; end date 30 June 2020)
- Annual internal survey results; commencing September 2020 (base survey completed May 2019)
- All of Government Risk Maturity Assessment (base assessment completed May 2019)
- External Risk Maturity Assessment July 2021. This would preferable be completed by KPMG to maintain consistency of assessment criteria.

Outcomes from progress will be shared with the organisation via channels identified in the engagement and education elements of this report.

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## **CONCLUSION**

Analysis of the data collection phase of the 'Implementing Risk Culture' Project has facilitated the preparation of these requirements. It is recognised that significant effort, as detailed in the recommended programme, is required to deliver the outcomes that have been communicated through the 'Our Plan' risk element; and, it is understood that successful delivery of this work enables other elements of the plan; "Risk as an enabler".

With this in mind approval of and commitment to this programme should be considered a priority to be endorsed, supported and actioned by the Executive Leadership Team.

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	20 November 2019
<b>Prepared by</b>	Katja Jenkins Risk Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Emerging Risks December 2019

## **I. EXECUTIVE SUMMARY**

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This report details emerging risks that Management have identified as having potential impact to strategy.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

## **3. DISCUSSION**

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The following activities are identified as having potential business impact in the risk context.

### **I. Waikato District Council Residents Survey Results**

Impact: **Stakeholder Engagement:** *Council fails to deliver appropriate community outcomes and or wastes resources due to unsuitable stakeholder identification and interaction practices.*

Waikato District Council engages the National Research Bureau (“NRB”) to survey residents with the aim of understanding how they view Council services and performance. The results are also compared against other Councils and track trends in performance over several years.

The latest survey results indicate that whilst residents perception is that the ease of dealing with council is improving, a significant drop in ‘satisfaction with community spirit’ and ‘satisfaction that council makes decisions that meet the needs and aspirations of residents’ are also evident. Reason for the decline is not yet apparent and therefore it is considered an emerging risk due to potential for community disengagement. A full report that details the

survey outcomes will be presented to Council through the Strategy & Finance Committee on Monday, 2 December.

Mitigation for the risk is likely to include actions developed through the forthcoming Engagement Strategy (draft due December 2019). The strategy aims to connect Council's ambitions for communication, external relationships, engagement and marketing and provide a framework that not only directs the focus of the Communications & Engagement teams but underpins the activities of the entire organisation.

## 2. Port Waikato Erosion

Impact: **Zero Harm:** *Significant harm is caused to workers, or others, due to poor or inactive health and safety procedures, non-compliance with legislative requirements, or inadequate governance/ management of contractual health and safety requirements.*

Impact: **Stakeholder Engagement:** *Council fails to deliver appropriate community outcomes and or wastes resources due to unsuitable stakeholder identification and interaction practices.*

Council staff are meeting regularly to ensure a coordinated response to the various issues related to coastal erosion at Port Waikato. These issues include erosion affecting the public carpark, and the impacts on private property. Council's consenting team is working with the owners of the most severely affected properties at the southern end of Oceanview Road, to identify potential pathways for relocation or demolition and rebuilding. An engineer's assessment has also been obtained regarding the current risk, to inform decision making on the potential issuance of dangerous building notices.

A community committee is forming to work with Council on the overall coastal erosion issues, and Council staff are connecting with regional and central government colleagues to support this work. An adaptive management planning framework is likely to be used, as recommended by official central government guidance, to ensure that decisions are made at the appropriate time using the best available information, rather than unnecessarily locking in irreversible or inefficient decisions at the start. A report to the December Council meeting is requesting initial funding from the Disaster Recovery Fund to support this work, including an independent facilitator / project manager.

The impacts of erosion at Port Waikato may not be unique and therefore offer valuable insights for resilience planning. Council will be able to translate the learning and experience from working with the Port Waikato Community to provide support to other coastal communities in the district facing similar challenges in the future.

## 3. Climate Change

Impact: **Business Resilience:** *Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.*

Impact: **Asset Management:** *Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.*

Impact: **Compliance Management:** *Council is exposed to significant financial loss or business disruption caused by non-compliance with legislative, regulatory or policy requirements.*

Impact: **Economic & Social Development:** *Waikato district suffers inhibited economic and social development and or missed funding opportunity as a result of poor planning, investment strategy, and or relationships.*

Progress is being made on actions to address this risk. A stand-alone report detailing activities and expected timeframes is included as part of the December Audit & Risk Committee meeting agenda. The Climate Action Group will continue to meet regularly to drive associated initiatives until a formal plan is agreed and in place.

#### **4. CONCLUSION**

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Work is required to ensure emerging risks are effectively communicated. Where risks are identified action to manage them is underway.

#### **5. ATTACHMENTS**

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NIL

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	22 November 2019
<b>Prepared by</b>	Alison Diaz Chief Financial Officer
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2403088
<b>Report Title</b>	Insurance Risk Strategy Update

## **I. EXECUTIVE SUMMARY**

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With the tightening of insurance markets and reductions in capacity, council activities continue to experience insurance premium increases.

Insurance is a risk management tool which can assist when something occurs that falls outside the normal course of business. However, as these extraordinary events switch from 'what if' to 'when and how frequently', insurance as a risk management tool becomes less effective.

It is therefore important to take a strategic approach to insurance in line with risk appetite, tolerance and an understanding of alternate risk mitigation tools.

Aon New Zealand Limited will be supporting council in its development of an insurable risk strategy starting with a review of current insurable risk exposures. Initial work is anticipated to commence at the end of 2019 and continue into the first quarter of 2020.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

## **3. ATTACHMENTS**

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NIL

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Roger MacCulloch Acting General Manager Service Delivery
<b>Prepared by</b>	Phil Ellis Solid Waste Team Leader
<b>Date</b>	21 November 2019
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Risk Conversations – Solid Waste Team

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to enable key staff within the organisation who are managing risk in their everyday activities (expect this to be third tier managers and/or team leaders) to come and share “their business”, from a risk perspective, with the Audit & Risk Committee. This will provide the Committee an opportunity to dialogue with these staff to obtain assurance, from a governance perspective, that appropriate controls and culture are in place.

The intention is to have one of these conversations at every Audit & Risk Committee meeting. The Solid Waste Team Leader will attend the December Audit & Risk meeting for this purpose.

Attached is the business risks register and Hazard and Risks Management (“HARM”) register for the Solid Waste Team. The register includes operational risks and controls affecting this area of the business.

## **2. RECOMMENDATION**

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**THAT the report from the Deputy General Manager Service Delivery be received.**

## **3. ATTACHMENTS**

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- Solid Waste Team Risk Register (Operational)
- Solid Waste Workplace Specific HARM Register

<b>To</b>	Audit & Risk Committee
<b>From</b>	Kurt Abbot Projects & Innovation Manager
<b>Date</b>	22 November 2019
<b>Prepared by</b>	Katja Jenkins Risk Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Strategic Risk Deep Dive – Business Resilience

## I. EXECUTIVE SUMMARY

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The Deep Dive report aims to provide an opportunity for Governance to gain a true understanding of how Management view risk and to assess Managements control actions and mitigation procedures. The report includes:

- Risk background
- Internal/external threats and impact
- Examination of associated treatments
- Residual risk assessment
- Forecast
- Recommendations.

This report relates to the strategic risk:

**Business Resilience (R0053):** Business function is significantly disrupted due to a lack of business continuity planning and organisational resilience.

## 2. RECOMMENDATION

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**THAT the report from the Projects & Innovation Manager be received.**

## 3. BACKGROUND

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### 3.1 RISK BACKGROUND

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, continuity

planning and strategy and community planning. Resilience interacts with all business functions and their associated risks and is therefore generally about maintaining continuity.

Waikato District Council considers resilience to be made up of the following four elements:

- Reduction: the process of identifying risks and establishing appropriate risk mitigations;
- Readiness: the act of having identified critical business functions and examined potential threats for the purpose of documenting plans that can be implemented to minimize and or counteract the effects should the threats materialise;
- Response: the act of coordinating required activities to respond to an event, incident or emergency;
- Recovery: the process of returning to business as usual operations.

Highly resilient organisations are able to:

- Anticipate disruption;
- Continue to deliver necessary functions and services with minimal effort during periods of disruption;
- Recover control of operations rapidly in response to unexpected disruption.

Essentially, the level of resilience built into business operations will reflect how well that organisation can support itself and the community in the event of an incident. Resilience is therefore a strategic capability.

In 2014 Waikato District Council implemented the ‘Recovery Manager’ role as part of the Civil Defence and Emergency Management structure. Through developing knowledge of this role it became clear that a gap existed in organisational resilience; specifically, appropriate contingency plans (“Plan B’s”) were not in place in the event of a business disruption incident. This was determined to be a significant weakness and a strategic risk was documented to assist with planning control requirements.

## **4. DISCUSSION AND ANALYSIS**

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### **4.1 RISK DESCRIPTION**

**Business Resilience (R00053):** Business function is significantly disrupted due to a lack of business continuity planning and organisational resilience.

In the context of this risk the terms used are described as follows:

- Business Function
 

The day to day activities carried out by Council employees (including partners and contractors) to deliver critical services such as safe roading, drinking, waste and storm water management, solid waste management, and availability of social and recreational facilities.

- Significant Disruption

An incident, event or occurrence which has an impact equal to or greater than the consequence category of 'Moderate' as defined in Waikato District Councils 'Likelihood and Consequence Guide' (Appendix I).

- Business Continuity Planning

The process of identifying risk exposure to internal and external threats and implementing appropriate plans for management of those threats e.g. incident management, emergency management, disaster recovery, business recovery, and contingency planning.

- Organisational Resilience

Waikato District Councils complete resilience system including:

- Emergency management
- Risk management
- Incident management
- Continuity planning
- Strategy and community planning.

This risk is categorised against the following risk portfolios:

- Business Continuity

These types of risks impact day to day business function and the level of service delivery that Council has committed to for the community. They can result from failed or inadequate internal processes, activities and systems (recruitment, change management, human / system error), or from unforeseen external events (natural disasters, accidents or intentional malicious behaviours).

- Strategic / Political

These risks impact the organisations ability to achieve its strategic objectives as the result of political conditions such as changes to legislation, political decisions and redirected political focus.

## 4.2 INTERNAL/EXTERNAL THREATS & IMPACT

The following information describes the identified risk components and their impact within scope of the risk.

RISK PORTFOLIO	RISK DESCRIPTION	RISK TRIGGERS	THREAT IMPACT
Business Continuity	Internal operational functions fail	Cyber attack, data breach, unplanned IT / telecommunications / electrical outage	Failure to deliver key services Loss of community trust (reputational damage) Breach of legislation (data and privacy) Loss of knowledge / intellectual property Financial impact (response and recovery)
		Security incident, act of terrorism	Safety of staff and community Failure to deliver key services Financial impact (response and recovery)
		Large scale health and safety incident e.g. pandemic, accident effecting multiple key staff	Safety of staff and community Failure to deliver key services Loss of community trust (reputational damage)
		Large scale facilities incident e.g. fire, flood, contamination resulting in Council building (offices) damage	Safety of staff and community Failure to deliver key services Financial impact (response and recovery) Loss of knowledge / intellectual property Loss of community trust (reputational damage) Environmental damage
		Human resource shortage (lack of key personnel due to recruitment availability, incident/emergency)	Safety of staff and community Failure to deliver key services Loss of knowledge / intellectual property Financial impact (response and recovery)
Business Continuity	Core services / functions fail e.g. waters, roads, electricity	Natural disaster e.g. adverse weather event, earthquake, flood, fire	Safety of staff and community Failure to deliver key services Financial impact (response and recovery) Environmental damage

RISK PORTFOLIO	RISK DESCRIPTION	RISK TRIGGERS	THREAT IMPACT
		Security incident, act of terrorism	Safety of staff and community Failure to deliver key services Loss of community trust (reputational damage) Financial impact (response and recovery)
		Cyber attack	Safety of staff and community Failure to deliver key services Loss of community trust (reputational damage) Financial impact (response and recovery)
Business Continuity	Supply chain disruption	Significant national / world event	Failure to deliver key services Loss of community trust (reputational damage) Financial impact (response and recovery)
Political / Strategic	Significant political reform	Change of government	Loss of community trust (reputational damage) Financial impact (response and recovery)
		Significant national / world event	Loss of community trust (reputational damage) Financial impact (response and recovery)

Associated strategic risks that may have an impact or be impacted by business resilience have been considered as part of the risk assessment process;

RISK DESCRIPTION	ASSOCIATION
<p>Cyber Security: Council is exposed to significant business disruption caused by unauthorized access to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour.</p>	<p>This risk discusses a business continuity trigger event; Council systems are compromised by cyber-crime or a lack of compliance with process resulting in significant financial and or business impact. Business resilience in this area includes, anti-virus protection, organisational culture (employee behaviour including early identification) data and information protection, and recovery planning.</p>
<p>Asset Management; Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.</p>	<p>The external impact of failed assets has been demonstrated a number of times, most recently after the Kaikoura earthquakes. In these situations resilience is demonstrated through the response and recovery process. A resilient organisation should be able to minimise the effects on customers whilst allowing time for required maintenance to recover the asset to working condition.  Furthermore, planning plays a key role here. The condition of assets as well as maintenance and renewals interact with how assets perform thereby by acting to increase or reduce the associations between the risks.</p>
<p>People &amp; Culture; Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.</p>	<p>In most cases this risk is associated through a cost lens. Where resourcing becomes deficit, increased costs are likely to accumulate through the need to contract services or increase remuneration to maintain business function.</p>
<p>Growth Council experiences significant business and community disruption caused by district growth. and Economic &amp; Social Development; Waikato district suffers inhibited economic and social development and or missed funding opportunity as a result of poor planning, investment strategy, and or relationships.</p>	<p>These risks link to resilience through asset management and planning. Economic development relies on planning to deliver critical assets with appropriate scaling and or the flexibility to adapt to meet needs in accordance with future projections.</p>
<p>Compliance Management; Council is exposed to significant financial loss or business disruption caused by non-compliance with legislative, regulatory or policy requirements.</p>	<p>The association here relates to the impact of non-compliance and corrective action. This is likely to manifest in financial cost and or resource deficit.</p>
<p>Regional &amp; National Strategic Planning &amp; Legislative Reform; Council experiences significant disruption to business function caused by structural and legislative changes by central government and or national / regional strategic planning exercises.</p>	<p>This risk discusses the need to be proactive and forward thinking to prevent reactive behaviours. Again, it relies on appropriate planning to ensure the organisation is prepared and adaptable for significant change or reform.</p>

A number of direct and in-direct risks have been identified and considered as part of the risk assessment process;

RISK PORTFOLIO	RISK DESCRIPTION & SUMMARY
Business Continuity Political / Strategic Environmental	Climate Change (indirect); this risk is extremely broad and is likely to have a significant impact on business resilience. Associations include legislative change, increased incidence of natural hazards, changes to insurance markets and other financial burdens associated with adaptation and mitigation efforts are highly likely to increase the risk level. Integrated planning is a key approach to ensure appropriate control is applied.
Political / Strategic	Waters Transition (direct); increased risk is demonstrated through the transition period due to associated unknowns e.g. specifically asset condition and the outcomes of the consultation process. Mitigations, including a disengagement process are in place.
People Technical	<p>Organisational Culture</p> <p>Risk (direct); The existing organisational culture, specific to our capability, understanding and engagement with good risk management practices requires improvement to build resilience and reduce risk in this area. A programme of work is underway to address this known gap.</p> <p>Innovation (direct);</p> <p>As an organisation there is room for improvement through proactive engagement with associated industry and peer leaders. Understanding potential changes and existing or developing options is a precursor for better resilience and can decrease risk levels.</p>
Technical	<p>R00016 Information Technology (direct)</p> <p>Business effectiveness and efficiency are compromised because of ineffective, insufficient or unreliable technology and or an inability to embrace changing technology.</p>
Environmental Business Continuity	<p>Natural Hazards (indirect)</p> <p>Council has a number of risks documented with regard to specific natural hazards and the potential effects of those hazards. The emergency management team (operating the CIMS structure) and incident management team act as mitigation for these risks.</p>
Compliance / Regulatory Technical People	<p>R00069 Information Management (direct)</p> <p>Inability to access or loss of organisational knowledge due to poor information management and or non-documented processes.</p>

Note: all identified risks have been documented and will be managed in accordance with Councils risk management policy and associated processes.

## **Inherent Risk Score**

With consideration to identified internal and external impacts and associated risks (documented in this report) the inherent risk is assessed to be;

- Likelihood: **Likely** (4)
  - Strong probability of occurrence in the foreseeable future / history of frequent occurrence
- Consequence: **Catastrophic** (5)
  - Essential services are unavailable causing customer disruption (> 1 day)
  - Life threatening injury/fatality (Severity 1) or potential to cause life threatening injury/fatality.
  - Significant or prolonged resourcing deficit (trained/skilled specialist roles).
  - Financial exposure ≥ \$1.5M in any 12 month period
  - Sustained (in excess of one week) high profile adverse national media campaign or sustained (in excess of 4 weeks) cumulative adverse local media campaign or irreversible loss of community confidence or initiation of government tribunal of inquiry
  - Breach of policy, process or legislation requiring external investigation and resulting in significant tangible loss through civil or criminal prosecution and or significant damage to reputation.
  - Significant environmental disaster or natural hazard or unplanned population growth causing wide spread environmental degradation/damage and/or irreversible pollution or long term effects affecting future generations or uncontained, long term serious environmental degradation.
  - Significant and prolonged political attention with non-achievement of LTP objectives across multiple years.
  - Significant and prolonged effect to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.

The inherent risk factor is therefore considered to be **Extreme**.

A recommended increase in the probability of the risk is noted at the inherent level (currently assessed as 'Possible'). This is qualified by historic occurrence of events (eleven incidents in the past twelve months) including (but not limited to):

- Port Waikato Erosion (environmental; climate related)
- Dog Registration Issue (Technical; process failure)
- Office Lockdown (Business Continuity, People; security incident)
- Huntly East Mines (People, Compliance/Regulatory, Reputation, Environmental)

Furthermore, increased likelihood of the district experiencing climate hazards, and potential for greater community focus in this area demonstrates increased prospects of disruption both from an environmental and reputational perspective.

\* Refer to Appendix I for full Likelihood and Consequence Guide

### 4.3 EXAMINE ASSOCIATED TREATMENTS

This table discusses existing treatments established to address the risk and documents new treatments for consideration.

REF #	TREATMENT	IMPACT	COMMENT
MC00138  (Updated)	<p>Business Continuity Planning: The Business Continuity Project was completed as part of the Our Plan 2015/16 programme of work. As a result of the project the following business resilience planning and analysis has taken place;</p> <ul style="list-style-type: none"> <li>▪ departmental business continuity impact analysis has been performed and documented</li> <li>▪ Potential governance was considered as part of the project closure resulting in the implementation of a structured incident management team (including associated communication procedures and processes) and is now monitored by the Process Improvement Forum.</li> </ul> <p>A complete review and re-launch is planned starting January 2019 (PR-1390). As part of this programme, Council will develop a robust Business Continuity Framework. The purpose of the Framework is to provide the organisation the appropriate tools, templates and resources to create pragmatic plans that can be applied in the event of a significant incident to minimize disruption by managing and maintaining the delivery of critical services to our communities.</p>	<p>This impacts the consequence by identifying and prioritizing critical business function in the event of an incident. It also provides a defined method of governance and communication to ensure management, support and recovery procedures are conducted in a coordinated manner.</p>	<p>Council has previously engaged in a variety of business continuity exercises and projects however no formal framework has been implemented. At this time it is acknowledged that the organisation has a low understanding of business continuity planning and little understanding of how to create, maintain and put into effect formal business continuity plans. The existing Risk Management, Incident Management and Emergency Management Frameworks require integration to deliver a complete BC solution.</p> <p>This problem provides opportunity to promote and integrate the work of the CDEM team, Incident Management Team and Risk Management function to develop better community and business outcomes in the event of a significant incident. Furthermore, the business continuity planning framework will provide greater clarity and transparency of organisational expectations in the event of an emergency, helping our people to identify and prioritize critical business functions.</p> <p>Delivery of the associated project outcomes are expected to further reduce risk in this area.</p>
MC00601  (updated)	<p>Risk Management Framework: Councils Risk Management Framework includes policy, processes, support, tools, templates and user guides. The Framework details organisational expectations and best practice risk management behaviours across all levels of the business.</p>	<p>This treatment impacts the likelihood of the risk by ensuring that Council employees are equipped to effectively identify and manage risks and the associated consequences. It assists employees to appropriately plan and implement contingency plans.</p>	<p>It is recognised that whilst this treatment is effective it requires a culture that supports the acceptance and application of organisational process. To address this requirement a project is underway to shape organisational culture in the risk space.</p>

REF #	TREATMENT	IMPACT	COMMENT
MC00456	<p>Civil Defence &amp; Emergency Management (CDEM): Waikato District Council is part of the CDEM group. The role of the group is to work in partnership with communities to ensure the effective and efficient delivery of emergency management within the Waikato region. Council employees are obligated to provide support where necessary as part of their roles (subject to situation specific circumstance). Council staff are trained in specific emergency management roles and have processes and procedures that aim to both reduce the impact of incidents and (where possible) to maintain the provision of Council services.</p>	<p>This treatment impacts the consequences of the risk by ensuring there is an organisational understanding of Councils commitment to maintain and manage the on-going delivery of Council services during an incident.</p>	<p>The CDEM team operate using the CIMS structure. This structure dictates specific roles which are operationalised through the organisation to ensure viability of delivering requirements in the event of an emergency. Employees undertaking these roles are highly trained, regularly participate in exercises to test effectiveness, and, they are subject to audit.</p> <p>Many of the CDEM team also have critical roles in our incident management team. Incident management offers opportunity to put into effect emergency management training which assists with development of key skills.</p>
NEW	<p>In-House Resilience Resources Through the 2018 restructure a number of key resources were assigned to work in the business resilience space. These include;</p> <ul style="list-style-type: none"> <li>▪ Risk Advisor; developed from part-time to a full time role with accountability for the Risk and Business Continuity portfolios</li> <li>▪ Community Resilience Coordinator; a new role implemented through the restructure aiming to build strong relationships specific to community preparedness and resilience.</li> <li>▪ Emergency Management Advisor; migrated from Civil Defence to a Council owned role through the restructure to deliver on the strategic direction for building resilience for the organisation and the community.</li> </ul> <p>These resources operate independently and as a virtual team to provide internal and external risk and hazard identification, response and coordination, as well as liaising across regional and national stakeholder groups to enable continuous improvement and partnership opportunities.</p>	<p>This treatment impacts the likelihood of the risk by facilitating cross organisational oversight of resilience functions and enabling delivery of resilience related programmes (both internally and externally) through appropriate resourcing. It addresses the consequence through facilitation of appropriate response and contingency planning.</p>	<p>The implementation of the resources and the establishment of a work programme (Appendix 2) that sees these resources working as a virtual team will over the coming twenty-four months deliver;</p> <ul style="list-style-type: none"> <li>• Business Continuity Plans</li> <li>• Community Response Plans</li> <li>• Resilience and Adaptation Plans</li> </ul> <p>A downward trend in the consequence rating for this risk is therefore expected over this period of time.</p>

REF #	TREATMENT	IMPACT	COMMENT
NEW	<p>Annual Resilience Work Programme (Appendix 2) The programme is developed to address priority activities outlined through the CDEM capability assessment, the organisational change requirement and continuous improvement initiatives. It includes key pieces of work such as;</p> <ul style="list-style-type: none"> <li>• Community Response &amp; Resilience Planning</li> <li>• Strategic Planning for Recovery</li> <li>• Business continuity planning</li> <li>• Public Education</li> </ul>	<p>This treatment impacts the consequence of disruptive events by increasing community preparedness, incorporating risk mitigation and response into community planning activities and through the contingency planning process.</p>	<p>Embedding of community resilience planning into the business i.e. through District plan, adaptive management plans, community plans and community education initiatives provides opportunity for contingencies to be co-developed ensuring community involvement and visibility of those plans.</p> <p>Future initiatives include developing resilience planning guidance documents for external businesses. This may assist in reducing welfare requirements and therefore further mitigates the impact of significant incidents i.e. portions of the community will have tools to be self-reliant in the event of disruption.</p>
NEW	<p>Implementing Risk Culture Project: The project aims to progress Councils risk culture by enabling an appropriate and consistent approach to risk taking and encouraging the use of risk practices to inform decision making. A programme focusing on educating teams on risk purpose, organisational risk appetite and application of risk practices is a key output of the project</p>	<p>This treatment impacts the likelihood by providing employees a greater level of understanding of appropriate risk practice and promoting the benefits of proactive risk management and continuity planning. It also addresses the consequences of the risk through developing organisational processes associated with contingency planning.</p>	<p>The project is currently in the design phase with implementation planned for March 2020. As the culture matures our capability to foresee and plan for risk will increase. This maturation is expected to deliver improved business resilience by reducing risk consequence through effective planning practices.</p>
NEW	<p>Incident Management Team The role of the Incident Management Framework and Team is to provide organisational support to teams that are responding to incidents significantly impacting their business-as-usual activities. The Team structure (based on the CIMS structure) includes representatives from across the business.</p>	<p>This treatment impacts the consequences of the risk by providing resources (the Incident Management Team) to take a holistic approach to managing the incident, including risk identification and mitigation. The team are able to focus on prioritizing mitigation actions and direct resources to minimise impacts.</p>	<p>The collaborative approach aids in assessing incident impacts and resolving issues by developing a broad understanding the incident.</p> <p>Although the relevant council service maintains management of the issue, the IMT provide organisational support and resource to minimising the current and potential risk to Council and the community.</p>

#### 4.4 RESIDUAL RISK ASSESSMENT

As outlined in section 4.1 of this report, the 'Business Resilience' risk discusses incidents of 'Significant Disruption'. The assessment, shown below against the key risk portfolios, establishes the highest level of probability of significant disruption.

**Portfolio:** Business Continuity

- Likelihood: **Possible** (3)
  - Feasible: a possibility of occurrence / History of casual occurrence
- Consequence: **Moderate** (3)
  - Essential services are unavailable causing customer disruption (< 4 hours) or non-essential services are unavailable (<3 days)

**Portfolio:** Political / Strategic

- Likelihood: **Unlikely** (2)
  - Feasible: a possibility of occurrence / History of casual occurrence
- Consequence: **Moderate** (3)
  - Short term political attention with moderate impact to deliverables associated with LTP objectives.

**Portfolio:** Environmental

- Likelihood: **Possible** (3)
  - Feasible: a possibility of occurrence / History of casual occurrence
- Consequence: **Moderate** (3)
  - Moderate localised environmental degradation/damage/pollution at a localised level caused by either a natural disaster or unplanned population growth with medium term effect or off site release contained.

**Portfolio:** Compliance Regulatory

- Likelihood: **Possible** (3)
  - Feasible: a possibility of occurrence / History of casual occurrence
- Consequence: **Moderate** (3)
  - Breach of policy, process or legislation requiring internal investigation including moderate treatment for the purpose of damage control.

**Portfolio:** Reputation / Image

- Likelihood: **Unlikely** (2)
  - Feasible: a possibility of occurrence / History of casual occurrence
- Consequence: **Moderate** (3)
  - Adverse local media coverage that if repeated over time will adversely affect Council or negatively perceived business practice leading to widespread resident/ratepayer complaints or prolonged unresolved dispute requiring legal oversight.

Note: as severity of consequence increases likelihood is expected to decrease.

Taking into account anticipated risk exposure and existing treatments and their effectiveness, the residual risk for Business Resilience is assessed as '**Moderate**'. Waikato District Councils risk appetite for business resilience is documented as '**Low**'. Appetite and risk are therefore not currently aligned.

## 4.5 FORECAST

Disruptions are expected over the coming twelve to twenty-four months. There is increased potential for risks from climatic impacts, changes in insurance markets, cyber threats and community welfare requirements. The inherent risk of business resilience is therefore likely to escalate. In response adaptation and contingency planning is seen as an essential focus for Council over this period.

As infrastructure owners and with accountability for hazard mitigation through land-use planning, Council will need to continue to improve processes to anticipate, respond and adapt to change in order to build a more resilient organisation. A vital component of improving business resilience will be identification of vulnerabilities; this work, designed to be consistent with the national disaster resilience strategy, is underway as part of the Resilience Work Programme.

Externally, community planning and the development of strong stakeholder relationships are seen as critical elements of preparedness. Internally, business continuity planning is vital for pinpointing potential risk, adapting as necessary and preparing for a rapid recovery in the event of an incident. A significant portion of continuity planning is developing contingencies in the event of plan failures. Threats should fully be explored e.g. through examination of historical documentation, to include plans that not only centre around the low frequency high impact events (such as natural disasters) but cover any risks or threats that disrupt business activities. Key areas of focus for resilience planning include:

- Information Technology (cyber security)
- Procurement
- Critical Assets
- Critical Services

## 4.6 RECOMMENDATION

The key risk indicator for probability in this assessment is Incident and Emergency Management Team activation. The team's focus is maintaining continuity of services and prioritizing activity based on availability of accurate and timely information. With consideration to this and with regard to the identified gap it is acknowledged that Council has little to no influence over a number of the identified threats, specifically those attributed to environmental hazards or legislative amendment. It is therefore reasonable to determine that, where additional controls are deemed necessary to reduce the gap, they should focus on addressing impact. For this reason the following recommendations are made:

- Implementation of business continuity plans for all critical services and infrastructure;
- Continued development of stakeholder relationships with emergency services and other contributing agencies;
- On-going investment and training for Incident and Emergency Management Teams;
- On-going work to improved organisational culture associated with risk identification and management;
- Clear direction from Leadership to prioritize hazard and risk identification and include business continuity as a part of business as usual activity.

## **5. CONSIDERATION**

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The following recommendations relate to the current risk and are for consideration:

- The risk is rewritten to read “Waikato District Council experiences significant business disruption due to a lack of organisational resilience”. This takes into account that business continuity planning is a given part of resilience as a concept.
- The risk assessment, both inherent and residual, is amended to reflect the assessment documented in this report.
- The recommendations, as documented in section 4.6 of this report are operationalized (as demonstrated through existing programmes and projects).

## **6. CONCLUSION**

---

Waikato District Council has a strong foundation to build on in achieving their desired risk level with regard to business resilience. The Resilience Work Programme, managed by the Emergency Management Team and overseen by the CDEM Leadership Team combined with Organisational Culture programmes are set to delivery positive outcomes and reduce risk within this area. Work to reduce the identified gap is therefore considered to be on-track.

## **7. ATTACHMENTS**

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Appendix 1. Business Resilience Deep Dive - RM Likelihood and Consequence Guide

Appendix 2. Resilience Work programme 2019-20

## Resilience Work Programme

1st July 2019 - 30 June 2020



Project Code	Priority	Description	Work stream	Dependencies		
<b>Managing Risks</b>						
<b>Hazard Risk Communication Strategy and Plan</b>	PR - 1413	1	Develop an agreed hazard risk profile to inform our emergency management documentation, community engagement and decision-making	Determine and understand hazards to the Waikato district	Identify research and prioritise hazard risk research requirements Identify budget requirements/restraints Identification of stakeholder research and science agencies Identify appropriate mechanisms to formalise collaboration Development partnership arrangements with research and science agencies Create a source matrix for Emergency Management as a reference for future work programmes and development Ensure that there are linked Promapp processes between funding and risk reduction expenditure. Undertake comprehensive risk analysis and assessment to better inform risk communication and education Community engagement and consultation on hazard risk profiling outcomes. Develop and implement strategy and plan to promote hazard risk	District planning Programme
<b>Effective Response and Recovery from Incidents &amp; Emergencies</b>						
<b>Business Continuity Framework</b>	PR - 1390		Contribute information and advice based on learnings, knowledge and interdependencies from incident and emergency management to the business continuity framework	Co-design and implement WDC Business Continuity Framework	Risk Programme	
<b>Engagement Strategy</b>	PR -		Design an engagement strategy that supports interaction, promotion and sustainability of our community focused initiatives	Identify & develop skills to support effective community engagement  Development engagement strategy and implementation plan for resilience programme Develop engagement toolbox and engagement	Investigate and participate in training and learning opportunities for more effective community engagement  Waikato DC engagement strategy	
<b>Emergency Management Partnerships</b>	n/a		Development of our current network of collaboration in preparing our organisation and our people to respond in an event affecting our district; anticipating potential mutual support that can be activated quickly and efficiently if a critical incident occurs	Develop and implement a structure for engagement with recovery sector groups.	Identification of key activities and relationships outside of statutory obligations Analysis of types of partnerships needs Inclusion of partnership approach in development of engagement strategy and delivery design Approach and implementation of identified parties	Partnership Portfolio programme
<b>Capability Development</b>	n/a		Build our capability through our people, our	Refurbishment of EOC Design Leadership Programme for Incident and Emergency Management Leadership Team and EOC	Identify budget requirements/restraints  Learning & Development	
<b>Strategic Planning for Recovery</b>	PR - 1296		Embedding Recovery & Resilience into Local Government Framework	To create a repeatable process across local authorities for strategic planning for recovery	Undertake research to better understand and inform proposed Development of concept and alignment to statutory requirements  Formation of project team or incorporation into blueprinting programme Engagement of Elected members and investigation of funding opportunities	District Planning Blueprinting
<b>Welfare</b>		1	Establish sustainable welfare relationships and development of WDC welfare capability to respond to and assist in the recovery to an emergency affecting our communities	Implement Welfare Plan and develop welfare capability  Complete Civil Defence Centres Project requirements	Complete Welfare Plan update in alignment with G4GG and current Local Welfare Committee plan  Facilitate co-design workshop with identified community representatives Complete Civil Defence Centre Assessments Map locations and build CDC references into P&R	Group Plan & Partnership Programme  Group Plan & Property Strategy
<b>Post Event Reporting</b>				Development of standardised post event reporting processes and templates	Waikato CDEM Group Plan	
<b>Enabling, Empowering &amp; Supporting Community Resilience</b>						
<b>Community Response Planning</b>			Community response planning is supported and meets the needs of CDEM and the community.	Develop Community Response Plans (District in line with the Waikato CDEM Group Community Response Plan Guide and template including re-prioritisation  Establish processes and communication protocols for working with the community in an event Promotion of event outcomes for greater understanding of impacts of hazard risk to the organisation and community	Waikato CDEM Group Plan  Waikato CDEM Group Plan	
<b>Public Education Plan</b>			Development of a Public Education Programme for general CDEM information and hazard/risk			
<b>CDEM Group Plan Obligations</b>						

**Local Requirements  
for the Waikato****CDEM Group Plan****2015-2020**

Implement local

evacuation processes

identified in the

development of the local

evacuation plan.

Incorporate hazard and risks (including infrastructure risks) as part of community response planning

Develop a prioritised programme for development and updates of CRPs

Test, review and maintain community resilience plans

Establish and sustain communication processes between communities and CDEM

Implementation of CDC plan

Promote CDC locations appropriate to community requirements

Recovery Arrangements

Develop local welfare plans

## RISK CONSEQUENCE CATEGORIES

Questions	Business Continuity	People	Financial	Reputation / Image	Compliance Regulatory	Environmental	Political & Strategic	Technical		
	What is the risk due to inadequate or failed internal processes, activities and systems (recruitment, training, change programmes, natural disasters?)	Are there risks related to health and safety, capacity and capability of staff, behavioural and or performance issues, supplier delivery confidence	What is the risk that there is inadequate funding provided for this activity/project (either by Council and/or external funders) and/or that the final activity/project cost is >10% of the budget?	What is the risk to Council's reputation / image? Potential for negative media coverage and/or negative experiences/ perceptions of the activity/project by stakeholders and the community?	What is the risk of exposure to liability (legal action, fines, non-compliance against consent conditions)?	What is the risk to the environment (ecology, soil contamination, water quality, noise levels, odour, dust, etc.?)	What is the risk at the Political and or Corporate level due to possible impact to Council's core business objectives?	Are there risks due to specific critical technologies and or the overall technical complexity of an activity/project (has it been done successfully before? Design and or implementation complexity? Specialised technical skill required? Speed of technology change, etc.)		
Likelihood	Likelihood	Probability	Frequency	Description					Rating	
	Almost Certain	> 80%	Regular or frequently occurrence	Expected; Almost certain occurrence in the foreseeable future					5	
	Likely	50 - 80%	1 - 5 times per year	Strong probability of occurrence in the foreseeable future / History of frequent occurrence					4	
	Possible	20% - 50%	Once a year	Feasible; a possibility of occurrence / History of casual occurrence					3	
	Unlikely	< 20%	Once every 2 -5 years	Not expected but there is a slight chance of occurrence at some time					2	
	Rare	< 1%	Less than once every 5 years	Highly unlikely but may occur in exceptional circumstances					1	
Consequence	Descriptor	Business Continuity	People	Financial	Reputation / Image	Compliance Regulatory	Environmental	Political & Strategic	Technical	Rating
	Catastrophic	Essential services are unavailable causing customer disruption (> 1 day)	Life threatening injury/fatality (Severity 1) or potential to cause life threatening injury/fatality. Significant or prolonged resourcing deficit (trained/skilled specialist roles).	Financial exposure ≥ \$1.5M in any 12 month period	Sustained (in excess of one week) high profile adverse national media campaign or sustained (in excess of 4 weeks) cumulative adverse local media campaign or irreversible loss of community confidence or initiation of government tribunal of inquiry	Breach of policy, process or legislation requiring external investigation and resulting in significant tangible loss through civil or criminal prosecution and or significant damage to reputation.	Significant environmental disaster or natural hazard or unplanned population growth causing wide spread environmental degradation/damage and/or irreversible pollution or long term effects affecting future generations or uncontained, long term serious environmental degradation.	Significant and prolonged political attention with non-achievement of LTP objectives across multiple years.	Significant and prolonged effect to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	5
	Major	Essential services are unavailable causing customer disruption (< 1 day) or non-essential services are unavailable (<7 days)	A WorkSafe NZ notifiable injury or illness (Severity 2) or potential to cause notifiable illness or injury. Major but short term resourcing deficit (trained/skilled specialist roles).	Financial exposure ≥ \$500k but <\$1.5M in any 12 month period	High profile adverse national media attention (less than one week) or sustained (in excess of 2 weeks) cumulative adverse local media attention or loss of confidence from significant portion of community sector.	Breach of policy, process or legislation requiring external investigation and resulting in a tangible loss through civil or criminal prosecution and some damage to reputation.	Major but localised environmental degradation/damage/pollution with long term effects or major off site release caused by either a natural disaster or unplanned population growth.	Significant but short term political attention with major impact to timing or deliverables associated with LTP objectives within one given year.	Major but short term effects to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	4
	Moderate	Essential services are unavailable causing customer disruption (< 4 hours) or non-essential services are unavailable (<3 days)	Lost time injury (Severity 4). Moderate and short term resourcing deficit (trained/skilled specialist roles).	Financial exposure ≥ \$100k but < \$500k in any 12 month period	Adverse local media coverage that if repeated over time will adversely affect Council or negatively perceived business practice leading to widespread resident/ratepayer complaints or prolonged unresolved dispute requiring legal oversight	Breach of policy, process or legislation requiring internal investigation including moderate treatment for the purpose of damage control	Moderate localised environmental degradation/damage/pollution at a localised level caused by either a natural disaster or unplanned population growth with medium term effect or off site release contained.	Short term political attention with moderate impact to deliverables associated with LTP objectives.	Moderate short term effects to levels of service, business function or resource capacity as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	3
	Minor	Non-essential services maybe impacted causing customer disruption (< 1 day)	Restricted work injury or medical treatment injury or potential for medical treatment is required (Severity 5). Temporary resourcing deficit (trained/skilled specialist roles) <7days.	Financial exposure ≥ \$10k but < \$100k in any 12 month period	Adverse local media coverage or adverse social media comment or short-term issue leading to localised complaints	Breach of policy, process or legislation requiring internal investigation but requiring only minor treatment for the purpose of damage control.	Minor localised environmental damage/pollution caused by either a natural disaster or unplanned population growth.	Short term political interest with negligible impact to LTP objectives.	Minor effects to day to day business function as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	2
	Insignificant	No tangible impact on services to customer but monitoring maybe required.	First aid injury or potential for a person to seek first aid (Severity 6). Temporary resourcing deficit (trained/skilled specialist roles) <1day.	Financial exposure < \$10k in any 12 month period.	Minor adverse social media comment/questions but no subsequent public interest or event affecting an individual or small group only	Minor breach of policy or process requiring no investigation and only an approval or variance to prevent any damage control requirement.	Negligible localised environmental damage caused by either a natural disaster or unplanned population growth.	Negligible political interest with no impact on LTP objectives.	Negligible effects to day to day business function as the result of malfunction/failure of technology, tools, equipment and or design/manufacturing competency.	1

RISK CONSEQUENCE CATEGORIES						
<b>Questions</b>	<b>Scope / Deliverables</b>	<b>Time</b>	<b>Cost</b>	<b>Quality</b>		
	What will the project deliver? Is this achievable within project constraints? What might impact/influence what the project aims to deliver?	When must the project be finished? Are there adequate resources to deliver the project within set timeframes? What might add time to the project?	Is the cost affordable and appropriate? Will adequate funds be available to deliver the desired outcomes? Where might hidden or new costs arise?	Will the project meet business expectations? Will the desired outcomes and benefits be delivered? What might interfere or prevent or impact the expectations associated with end product?		
<b>Likelihood</b>	<b>Likelihood</b>	<b>Probability</b>	<b>Frequency</b>		<b>Description</b>	<b>Rating</b>
	<b>Almost Certain</b>	> 80%	Expected; Almost certain occurrence during project timeframe			<b>5</b>
	<b>Likely</b>	50 - 80%	Strong probability of occurrence during project timeframe / History of frequent occurrence during prior projects			<b>4</b>
	<b>Possible</b>	20% - 50%	Feasible; a possibility of occurrence during project timeframe / History of casual occurrence during prior projects			<b>3</b>
	<b>Unlikely</b>	< 20%	Not expected but there is a slight chance of occurrence during project timeframe			<b>2</b>
	<b>Rare</b>	< 1%	Highly unlikely but may occur in exceptional circumstances			<b>1</b>
<b>Consequence</b>	<b>Descriptor</b>	<b>Scope / Deliverables</b>	<b>Time</b>	<b>Cost</b>	<b>Quality</b>	<b>Rating</b>
	<b>Catastrophic</b>	Project deliverables cannot be realised.	Timeframe exceeds LTP / Annual Plan dates	> 10%	Outcomes and benefits are undelivered	<b>5</b>
	<b>Major</b>	Project scope is impacted and requires significant review	Timeframe is impacted and requires significant review	< 10%	Outcomes and benefits are significantly impacted	<b>4</b>
	<b>Moderate</b>	Project scope is impacted and requires moderate alteration	Timeframe is impacted and requires moderate alteration	< 7%	Outcomes and benefits are delivered with moderate compromise	<b>3</b>
	<b>Minor</b>	Project scope may require minor alteration	Timeframes may require minor alteration	< 5%	Outcomes and benefits are delivered with minor compromise	<b>2</b>
	<b>Insignificant</b>	No tangible impact on project scope but monitoring maybe required.	No tangible impact on project time but monitoring maybe required.	< 3%	No tangible impact on outcomes or benefits	<b>1</b>

Table 1

Likelihood of Occurrence

Likelihood	Descriptor	Probability
Almost Certain	Expected; Almost certain occurrence in the foreseeable future	5
Likely	Strong probability of occurrence in the foreseeable future / History of frequent occurrence	4
Possible	Feasible; a possibility of occurrence / History of casual occurrence	3
Unlikely	Not expected but there is a slight chance of occurrence at some time	2
Rare	Highly unlikely but may occur in exceptional circumstances	1

Table 2

Risk Consequence Criteria

Rating	Criteria Descriptor Guide	Probability
Catastrophic	Essential services unavailable (>1day) Life threatening injury/fatality (Severity 1) Significant or prolonged resourcing deficit (trained/skilled specialist roles) Financial exposure per annum ≥ \$1.5M Sustained high profile adverse national or local media campaign or irreversible loss of community confidence Breach of policy, process or legislation requiring external investigation and resulting in significant tangible loss Significant environmental disaster/natural hazard/unplanned population growth causing wide spread environmental degradation/damage and/or irreversible pollution or affecting future generations Significant and prolonged political attention with non-achievement of LTP objectives across multiple years Significant prolonged effect to service levels/business function/resource capacity due to failed/faulty technology/equipment or design/manufacturing competency.	5
Major	Essential services unavailable (<1day), non-essential services unavailable (<7days) A WorkSafe NZ notifiable injury or illness (Severity 2) Major but short term resourcing deficit (trained/skilled specialist roles) Financial exposure per annum ≥ \$500k but <\$1.5M High profile adverse national or local media attention or loss of confidence from significant portion of community sector Breach of policy, process or legislation requiring external investigation and resulting in a tangible loss Major but localised environmental degradation/damage/pollution with long term effects or major off site release caused by either a natural disaster or unplanned population growth Significant but short term political attention with major impact to annual LTP timing/deliverables Major but short term effects to service levels/business function/resource capacity due to failed/faulty technology/equipment or design/manufacturing competency.	4
Moderate	Essential services unavailable (<4hrs), non-essential services unavailable (<3 days) Lost Time Injury (Severity 4) Moderate but short term resourcing deficit (trained/skilled specialist roles) Financial exposure per annum ≥ \$100k but < \$500k Adverse local media coverage/business practice resulting in complaints/prolonged unresolved dispute requiring legal oversight Breach of policy, process or legislation requiring internal investigation including moderate treatment for the purpose of damage control Moderate localised environmental degradation/damage/pollution due to natural disaster/unplanned population growth (medium term effect) or contained off site release Short term political attention with moderate impact to LTP deliverables/timings Moderate short term effects to service levels/business function/resource capacity due to failed/faulty technology/equipment or design/manufacturing competency.	3
Minor	Non-essential services impacted (<1day) Restricted work injury or medical treatment injury or potential for medical treatment is required (Severity 5) Temporary resourcing deficit (trained/skilled specialist roles <7days) Financial exposure per annum ≥ \$10k but < \$100k Minor adverse local media coverage/social media comment leading to localised complaints Breach of policy, process or legislation requiring internal investigation requiring minor treatment for the purpose of damage control Minor localised environmental damage/pollution due to natural disaster/unplanned population growth Short term political interest with negligible impact to LTP objectives Minor effects to daily business function due to failed/faulty technology/equipment or design/manufacturing competency.	2
Insignificant	No tangible impact on services to customer (monitoring maybe required) First aid injury or potential for a person to seek first aid (Severity 6) Temporary resourcing deficit (trained/skilled specialist roles <1day) Financial exposure per annum < \$10k Social media comment/questions but no subsequent public interest or event affecting an individual or small group Minor breach of policy or process requiring no investigation and only an approval or variance to prevent any damage control requirement Negligible localised environmental damage due to natural disaster/unplanned population growth Negligible political interest with no impact on LTP objectives. Negligible effects to daily business function due to failed/faulty technology/equipment or design/manufacturing competency.	1

Table 3

LIKELIHOOD	Almost Certain (5)	Low (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
	Likely (4)	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
	Possible (3)	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
	Unlikely (2)	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
	Rare (1)	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)	
<b>CONSEQUENCE</b>						

Consequence Category / Portfolio	Description
<b>Business Continuity</b>	Business continuity risks impacting the day to day business function and level of service delivery. These can be from inadequate or failed internal processes, activities and systems (recruitment, training, change management), or from unforeseen external events (such as a natural disaster) that disrupt normal business operations.
<b>People</b>	Risks associated with health and safety, or the capacity and capability of staff, elected members or partnerships; the behavioural and/or performance of staff, elected members or partnerships; and supplier confidence. People risks typically result from staff constraints (cannot fill critical open positions), incompetence (employees, partners or suppliers lack the necessary skill & knowledge to do jobs correctly), dishonesty (theft, fraud) or a corporate culture that does not cultivate risk awareness (i.e. lack of regard for Health & safety processes, risk management processes)
<b>Financial</b>	Risks related to the financial management of WDC and the ability to fund Council activities and operations now, and into the future. Risks related to the management of operational and or project budgets (potential for loss). External economic factors related to changes in the prevailing market conditions that impact on the organisations financial capability.
<b>Reputation/Image</b>	Risks related to the impact of organisational actions (business undertakings). Reputational risks typically result when public perception of Council actions and/or Council personnel are deemed to be inappropriate.
<b>Compliance Regulatory</b>	Risks related to WDC exposure to liability (legal action, fines, non-compliance against consent conditions, codes etc.)
<b>Environmental</b>	Potential or actual negative environmental or ecological impacts, regardless of whether these are reversible or irreversible in nature. Risks can arise from; - Natural hazards e.g. landslides - Waste & Refuse, emissions, resource depletion etc. - Emergency/ Disaster management - Growth & Development
<b>Political/Strategic</b>	Risks that may impact on the organisations ability to achieve its strategic objectives created by political conditions. This may be due to internal factors (actions of politicians) and or external conditions e.g. events or decisions that could have effect on the achievement of strategic objectives.
<b>Technical</b>	Risks affecting the ability of WDC to complete or have confidence in the function or completion of a task, activity, project, operation. These are quality risks e.g. failure due to lack of technical capability or certainty in; - Existing equipment, tools, technology, software, hardware etc. - Design surety, manufacturing competency, technical performance etc.

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	22 November 2019
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	KPMG Health & Safety Governance Review

## **I. EXECUTIVE SUMMARY**

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The draft internal audit report on Council's Health & Safety Governance has been received. This review and report has been undertaken as part of the Committee's externally provided internal audit programme.

A number of recommendations have been provided which have broad management support. An action plan has been developed to respond to the recommendations. Management are finalising the timing of actions in this plan, having regard to the extensive work programme already in place for Health & Safety. This plan will ultimately be provided to Council for support.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received;**

**AND THAT the Audit & Risk Committee provide feedback and/or support of the actions to address the audit recommendations.**

## **3. ATTACHMENTS**

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Draft KPMG Health & Safety Governance Review



# Health and safety governance review

**Waikato District Council**

DRAFT

November 2019

[kpmg.com/nz](http://kpmg.com/nz)

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## Disclaimers

### Inherent limitations

This report has been prepared in accordance with our Terms of Reference for this review dated August 2019. The services provided under the Terms of Reference ("Services") have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit / Review" used in this report does not relate to an Audit / Review as defined under professional assurance standards.

The information presented in this report is based on publicly available information and information provided by Waikato District Council. We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information Waikato District Council, management and personnel / stakeholders consulted as part of the process.

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Other than our responsibility to Waikato District Council, neither KPMG nor any member or employee of KPMG assumes any responsibility, or liability of any kind, to any third party in connection with the provision of this report. Accordingly, any third party choosing to rely on this report does so at their own risk.

# 1. Executive summary

## Introduction

Waikato District Council (“WDC”) recognises health and safety as one of its key strategic risks. Whilst there has been extensive work performed over the improvement of health and safety across WDC, there has not yet been an independent review over WDC’s health and safety governance framework.

This report presents the findings of a high-level independent and objective health and safety governance review conducted by KPMG in September – October 2019. It identifies opportunities for improvement within the WDC health and safety governance framework.

## Objectives

The key objectives of this high-level review were to:

- Understand how WDC identified and responded to the obligations of officers to exercise due diligence as outlined in Section 44 of the Health and Safety at Work Act 2015 (“HSWA”) (as far as is reasonably practicable).
- Identify and report on areas and opportunities for improvement in relation to the above.

## Key strengths

WDC has a strong commitment to health and safety. Leadership within WDC has made a substantial impact on improving health and safety within the organisation.

In recent years it has hired a Zero Harm Manager to develop the health and safety management system. This is leading to significant changes and improvements to health and safety at the operational level.

The People Leader Safety Program has been developed and implemented with plans to roll this out at the Executive Leadership and governance levels.

WDC has established good upward reporting channels that encourage conversation at the governance level regarding health and safety performance.

## Overall rating

The overall rating for this audit is as follows:

<b>DEVELOPING</b>	Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.
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Refer to Appendix 2 for further information on the ratings and classifications.

## Key findings / observations

Below are the number of findings identified by the risk ratings.

	High	Medium	Low
Total internal audit findings	-	4	3

**Table 1** summarises our recommendations highlighting key areas for improvement.

Detailed findings and recommendations are included in **Section 3** of this report.

## Management action plans

The findings and recommendations were discussed with Management. Management action plans have been included in the report.

## Overall management comments

**Table 1: Summary of key recommendations**

Element	Key recommendation(s)	Rating
Overall framework	Develop an officer due diligence work plan, which integrates into existing governance statements (as appropriate).	Medium
Duty 1 – Knowledge	<p>Continue with the plan to refresh the health and safety induction programme for Councillors. When this training is delivered ensure the Executive Leadership Team are included.</p> <p>Continue with plans to develop an overarching Councillor and Executive Leadership Team health and safety training programme, which include health and safety governance.</p> <p>Increase the availability to Councillors to access the Zero Harm Manager’s specialist knowledge. Create opportunities for the Zero Harm manager to regularly meet with Councillors outside of council meetings.</p> <p>Consider bringing in external speakers to share learnings and leadership initiatives.</p>	Low
Duty 2 – Knowledge of risks	<p>Provide clarity to WDC around the short-term plan to keep the health and safety risk management framework separate from the enterprise risk framework, and confirm the medium to longer-term plans to integrate the two.</p> <p>Ensure governance processes are developed and implemented for health and safety risks.</p> <p>Ensure the governance role of officers is clear within health and safety related standards.</p> <p>Define how critical risks are decided.</p> <p>Clarify within the Critical Safety Risk Management Standard who is responsible and accountable for the monitoring of each critical risk and its associated controls.</p> <p>Clarify the role of the Zero Harm Team in terms of risk review responsibilities.</p>	Low
Duty 3 – Resources	<p>Update the Chief Executive Position Description to include accountability for health and safety.</p> <p>Develop a resourcing plan, which outlines the expectations for subject matter experts and the business with regards to the development and implementation of the health and safety management system. This should be based upon the current management system and the proposed future management system. Clarity between first and second line of assurance should be included in this plan. Budget for additional resourcing requirements accordingly.</p>	Medium

Element	Key recommendation(s)	Rating
Duty 4 – Performance measuring and monitoring	<p>Evaluate the quantity and quality of information being distributed specifically for Councillors. Create a succinct report that is easily visible on electronic devices.</p> <p>The Weekly Dashboard report should give the officers information to establish that health and safety within their sphere of influence is functioning as intended and has the correct resource. It should also establish that the officers are meeting the goals and objectives.</p> <p>Establish mechanisms that communicate back workers the outcomes of issues and opportunities raised to the Executive Leadership Team. Make workers aware of those mechanisms.</p>	Low
Duty 5 – Compliance	<p>Develop an obligations register for key health and safety legislation.</p> <p>Conduct a gap analysis to verify how WDC is meeting its legal and other requirements.</p>	Medium
Duty 6 – Verification	<p>Develop an assurance plan based upon the three lines of assurance model. This should be integrated with the enterprise wide assurance plan as much as possible whilst recognising the need for subject matter expertise to cover certain elements.</p> <p>Provide adequate resources to complete the required second line audits.</p> <p>Encourage the use of the WDC recognition policy to further promote proactive and positive safety behaviours.</p>	Medium

## 2. Background information

The Health and Safety at Work Act 2015 (“HSWA”) provides the legislative framework to support the safety and the health of workers, visitors and others who interact with a workplace.

HSWA introduced obligations for those charged with governance (officers). An officer holds a specific role in an organisation that allows them to exercise significant influence over how the organisation is managed (such as a Chief Executive).

### Who is in officer?

Section 18, HSWA defines an officer as:

- A director of a ‘Persons Conducting a Business or an Undertaking’ (“PCBU”) that is a company
- A partner in a PCBU that is a partnership and in limited partnerships, general partners
- A person in any other entity who holds a position similar to a company director (such as a board member)
- Any other person occupying a position that allows the person to exercise significant influence over the management of the business or undertaking.

Territorial authority or regional councillors elected in accordance with the [Local Electoral Act 2001](#) do not have a duty to exercise due diligence over council-controlled organisations unless that member is also an officer of that council-controlled organisation.

Council-controlled organisations are defined in [Section 6](#) of the Local Government Act 2002. Examples of council-controlled organisations would be the WDC Wellbeing Trust, Waikato Local Authority Shared Service or Waikato Regional Airport.

### Duties of an officer

Officers have a duty to perform due diligence under HSWA. HSWA is performance based rather than prescriptive, however, has defined due diligence as taking reasonable steps to:

- Stay knowledgeable on health and safety matters.

- Understand the work undertaken by the PCBU. Including how the work may put workers, volunteers any other persons who could be affected by the organisations activities at risk.
- Ensure the organisation has adequate resources and has utilised these resources to manage the risk. Resources include: plant and equipment, people, and processes.
- There are processes in place to communicate and consider information on health and safety. This includes responding to that information (typically obtained through performance reporting).
- Understand the legal requirements of HSWA, and has processes to meet those requirements.
- Verify that the resources and process for management of risk, communication and compliance are in place and being used.

The reasonable steps taken will depend on the PCBU. HSWA sets broad requirements and there is an expectation that the officers within the PCBU respond appropriately.

### Further guidance

Further information about due diligence may be found through the following:

- New Zealand WorkSafe website: <https://worksafe.govt.nz/laws-and-regulations/operational-policy-framework/worksafe-positions/officers-due-diligence/>
- The New Zealand Institute of Directors [https://www.iod.org.nz/Portals/0/Governance%20resources/Health%20and%20Safety%20Guide\\_Good%20Governance%20for%20Directors.pdf](https://www.iod.org.nz/Portals/0/Governance%20resources/Health%20and%20Safety%20Guide_Good%20Governance%20for%20Directors.pdf)
- Government Health & Safety Lead (This publication has good information on due diligence though it focuses on public services) <https://www.healthandsafety.govt.nz/reports/good-practice-guides/health-and-safety-a-good-practice-guide-for-public-service-chief-executives-and-officers/>

### 3. Detailed findings and recommendations

#### 1. Overall governance policy and framework

Rating of finding: Medium

##### Internal audit finding

WDC's Health and Safety Policy ("the Policy") sets out WDC's commitment and intent to manage and improve health and safety. The Policy sets out WDC's goal for a culture of Zero Harm and lists how WDC is committed to reaching that goal. WDC reviews this Policy annually in May. However, we found that the Policy was not reviewed in 2018. The date of the last review was 2017.

WDC has published a Statement for Governance of the district. This high-level document defines the council structure including committee, subcommittee, operational structure and key plans and policies. This document refers to HSWA as part of a list of legislation. No further health and safety content is provided.

At the time of this review we were unable to find a charter, statement or officer due diligence work programme that identifies how WDC's officers will meet their health and safety governance duties.

Visible-felt leadership was demonstrated through the activities of the leadership team actively participating in different areas. These included:

- Chief Executive attending Safety Action Team meetings
- Executive Leadership Team have a KPI of two safety conversations per month
- General Manager's sponsoring development of critical risk such as the General Manager Customer Support actively engaging in the development of risk management strategies for workplace violence and aggression
- Inviting Councillors to participate in the wellbeing programs
- Councillor site visits as detailed in the Audit and Risk Committee calendar of events
- The Committee is also invited to attend Zero Harm site visits that follow the Committee meetings. For example, in August Audit and Risk Committee meeting where members were invited by the Chief Executive to a Zero Harm site visit to the Ngaruawahia Water Treatment Plant following the conclusion of the meeting.

##### Recommendations

- Engage the Safety Action Team to review the Health and Safety Policy. Have the Executive Leadership Team and Councillors review and approve the Health and Safety Policy.
- Develop, in consultation with the officers, an officer due diligence work plan, and look to incorporate this onto the Statement for Governance, as appropriate.

#### Agreed Management actions

- The Zero Harm Policy has been rewritten by the Zero Harm Team and is currently with the Communications Team for review and formatting before being sent to the Executive Leadership Team and Safety Action Team for consultation.
- Develop due diligence work plan in consultation with Executive Leadership Team.

Responsibility

Target Date

**DRAFT**



## 2. Duty 1: Knowledge

Rating of finding: Low

### Internal audit finding

#### HSWA 44(4)(a): Acquire, and keep up to date, knowledge of work health and safety matters

To acquire knowledge in health and safety, WDC requires the Executive Leadership Team and Councillors to participate in a health and safety induction. The induction is approximately three years old and focuses on the change from the Health and Safety in Employment Act to HSWA. WDC has identified the need to improve the health and safety induction programme and will take the opportunity with the recent elections to provide Councillors with a fresh induction programme. Accordingly, the induction material is currently under review. There was also an acknowledgement of the need to develop an overarching Councillor and Executive Leadership Team health and safety training programme.

We found different levels of understanding on health and safety matters within WDC Executive Leadership Team and Councillors. For example, differing opinions regarding WDC's responsibilities towards volunteers.

Over the past year, WDC has developed and implemented a Safety Leadership Training Programme for People Leaders (Tier III managers). This included development and delivery of five modules, ranging from incident management, safety leadership, and critical risk management. This training was not however delivered to the Executive Leadership Team (Tier II).

This training programme is scheduled for further development as part of the Zero Harm Strategic Plan 2019/2020. It was communicated during the review that there may be an opportunity to include Councillors in elements of the Safety Leadership Training Programme or other health and safety training.

To keep up to date with health and safety matters, some of the Executive Leadership Team participate in training and other events held by the Business Leaders' Health & Safety Forum. Several people advised that they rely on the Zero Harm Manager and Risk Advisor to advise them of changes to health and safety legislation. Others also use external sources to keep them up to date. These included farming journals and media. There is no regular programme of external speakers (such as Work Safe, lawyers, Safety leaders from peer organisations etc.) attending the Audit and Risk Committee meetings, the wider Council meetings, or the Executive Leadership Team meetings.

### Recommendations

- Continue with the plan to refresh the health and safety induction programme for Councillors. When this training is delivered ensure the Executive Leadership Team are included.
- Ensure the Executive Leadership Team are included in the Safety Leadership Training Programme.
- Continue with plans to develop an overarching Councillor and Executive Leadership Team health and safety training programme. We suggest this includes content around the governance role of Councillors; duties of the PCBU, officers and workers; overlapping duties; volunteer management; and safety leadership (moving from safety compliance to safety leadership).
- Consider increasing the availability to Councillors to access the Zero Harm Manager's specialist knowledge. Create opportunities for the Zero Harm manager to regularly meet with Councillors outside of council meetings.
- Consider bringing in external speakers to share learnings and leadership initiatives. Include changes to any legal or other requirements in health and safety performance reporting.

### Agreed Management actions

- Councillor Zero Harm induction is currently being updated.
- A number of the Executive Leadership Team have completed Modules 1, 2 and 3 of the People Leader Safety Training Programme. Zero Harm Team to work with those Executive Leadership Team members who are yet to attend to schedule training for them and their People Leaders.
- Investigate the availability of an external training provider to provide this training to the Councillors and the Executive Leadership Team. Arrange and deliver training to cover this information.
- Arrange a regular (quarterly) Zero Harm meeting with the Mayor and Councillors. This session could be used to review strategy, share information and deliver training.
- Identify and investigate the availability of external speakers via the Business Leaders Health and Safety Forum to present to the Councillors and the Executive Leadership Team.

### Responsibility

### Target Date

**DRAFT**



## 3. Duty 2: Knowledge of risks

Rating of finding: Low

## Internal audit finding

**HSWA 44(4)(b): Gain an understanding of the nature of the operations of the business or undertaking of the PCBU and generally of the hazards and risks associated with those operations**

**Strategy**

WDC has a clear vision of “liveable, thriving and connected communities”. The Zero Harm “Work Safe, Home Safe” vision links with this overall vision by bringing health and safety into everyday practice at work, home, and within the community. To meet this vision, WDC has developed an annual Zero Harm Strategy (undated).

The Zero Harm Strategy lists performance goals and includes targets to track how the organisation is implementing this strategy. Traffic lights are used as indicators to track progress. However, these do not always include a clear performance measure. For example, ‘managed risk’ has a target of ‘80% of critical risk bow tie controls implemented’ with amber as the indication. The colour does not give a defined number indicating how close to the 80% success mark has been achieved so far.

**Risk management framework**

WDC uses two systems to understand, evaluate and manage risk. They are:

- *Promapp* is used for enterprise wide risks. There are two health and safety related risks noted within the Organisational Risk Register within Promapp: People – Zero Harm and Compliance / regulatory. Both have a low risk appetite. The Executive Leadership Team and Audit and Risk Committee defined the risk appetite.
- The second system is *BWare* which is used to record health and safety risks only. During the review it was indicated that by keeping health and safety in *BWare* helps WDC keep focused as it develops the health and safety portion of the risk management system.

Although health and safety risks will be ultimately integrated into the wider enterprise risk and governance framework, for the short-term two separate frameworks will be used. The interviews revealed a lack of clarity around this long-term view for the integration.

## Recommendations

- Develop a set of clear, specific, and measurable targets which can be used to demonstrate progress on the Zero Harm Strategy.
- Provide clarity to WDC around the short-term plan to keep the health and safety risk management framework separate from the enterprise risk framework and confirm the medium to longer-term plans to integrate. Set a clear and expected timeframe for this transition.
- In the short-term, whilst health and safety risks are separate, ensure governance processes are developed and implemented for health and safety risks. These include regular reviews of the critical risks in a similar manner to that used for the operational risks.
- Ensure the governance role of officers is clear within health and safety related standards, such as the Critical Safety Risk Management Standard.
- Define how critical risks are decided. Integrate the decision-making criteria into the review process. Include consultation with officers and workers.
- Clarify within the Critical Safety Risk Management Standard who is responsible and accountable for the monitoring of each critical risk and its associated controls. This should cover the first and second lines of assurance.
- Clarify the role of the Zero Harm Team in terms of risk review responsibilities, and whether the Team is first line or second line of assurance.

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Health and safety risk is the only enterprise risk not managed via Promapp and not managed through the wider enterprise risk and governance framework. This enterprise risk framework includes regular risk reviews and performance reporting. Whilst two separate systems are in existence, the enterprise risk framework will need to be developed for health and safety related risks.

### **Risk accountability**

We found that the role of officers in critical health and safety risk management was not clear and consistent. For example, the ZHSMS 3.0 Critical Safety Risk Management Standard notes both officers and the PCBU (WDC) are accountable for ensuring resources are available to support the implementation of the standard.

Further, there were some items within the standard listed as the responsibility of the Executive Leadership Team, whereas some of these items would fall under the accountability of officers. For example, the standard notes the Executive Leadership Team are responsible for:

- Sponsoring the development of Critical Safety Risk Standards
- Approving Critical Safety Risk Standards and any changes made to them
- Approving Bow Ties for the management of Critical Safety Risks
- Allocating appropriate resources to identify and manage Critical Safety Risks
- Ensuring that critical controls are implemented for managing Critical Safety Risks

There was no mention of the officers' role in governance over this standard (i.e. in reviewing and approving) (in accordance with duty 2).

### **Critical risk management**

*Identification:* WDC is focussing on 14 critical health and safety risks. A series of workshops was run within in team to determine health and safety risk. These workshops were used to determine WDC's critical health and safety risks.

*Assessment:* Assessment of these risks is being completed through the bow-tie methodology. At the time of the review, four risks had been assessed. Responsibility for each risk is also assigned to a member of the Executive Leadership Team, depending upon applicability of that risk to each council activity. For example, the General Manager of Customer Support sponsors violence and aggression.

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Progress on the evaluation of each of the critical risks is reported to the Health and Safety Section of the Audit and Risk Committee in the quarterly meetings.

*Risk monitor:* The current Critical Safety Risk Management Standard states that Council will evaluate its processes and activities from a critical safety perspective on a continuous basis. It also notes that an assessment against the Critical Safety Risk Bow Tie control plan will be completed for every relevant facility, site or workgroup to determine compliance. It does not specify who is responsible and accountable for these evaluations.

*Risk review:* It is stated in the Critical Safety Risk Management Standard that regular audits will be conducted by the Zero Harm Team to give assurance that critical safety risks are being managed effectively and reliably. However, there was limited evidence in regard to the mechanisms that establish whether the existing controls are in place and are effective for health and safety risk. There is also a lack of clarity around whether the Zero Harm Team are first line of assurance or second line of assurance.

Further, the framework for these audits has not yet been established (refer also to Section 3.7).

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### Agreed Management actions

- Undertake a review of the Zero Harm Strategic Plan Objectives and develop or refine existing Key Performance Indicators (KPIs). Ensure that KPIs are SMART (specific, measurable, attainable, relevant and timely).
- Arrange meeting with Risk Advisor and Zero Harm Manager to discuss plan regarding BWare Safety Manager and ProMapp. Provide update and clarity to the Executive Leadership Team on how Zero Harm Critical Safety Risks and hazards will be recorded and managed in the short and long term.
- Develop Critical Safety Risk review process in conjunction with Risk Advisor to ensure its alignment with the process used to review Strategic Risks.
- Identify Executive Leadership Team Risk Sponsors for each of the Critical Safety Risks.
- Determine what role the Audit & Risk Committee will have in the governance of Critical Safety Risks. Could this be the same as the process that is in place for the Strategic Risks.
- Undertake a review of the current organisational structure and provide clarity on who is an officer.
- Undertake a review of the current governance structure and provide clarity to the Zero Harm team on the roles of the Executive Leadership Team, Elected Members and the Audit & Risk Committee in relation to governance activities.
- In conjunction with Risk Advisor define how critical risks are decided and update the Critical Safety Risk Management Standard to include this process and who is involved e.g. workers and officers.
- Update the Critical Risk Management Standard to clarify who is responsible and accountable for the monitoring of each critical risk and its controls in relation to the first, second and third lines of defence.
- Update the Critical Risk Management Standard to clearly define the role of the Zero Harm Team in relation to risk review and the line of assurance they provide.

### Responsibility

### Target Date

**DRAFT**



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#### 4. Duty 3: Resourcing

Rating of finding: Medium

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##### Internal audit finding

**HSWA 44(4)(c): Ensure the PCBU has available for use, and uses, appropriate resources and processes to eliminate or minimise risks to health and safety from work carried out as part of the conduct of the business or undertaking**

Positively, each of the General Manager role descriptions have been updated in 2019 and include broad health and safety requirements. The responsibility areas include elements of safety leadership and due diligence. The Chief Executive position description, which was published in 2017, does not however, have explicit health and safety requirements.

The health and safety portion of the budget indicates how funds will be allocated in this space. The budget clearly outlined current operational programs for the wellbeing, health and safety of WDC workers. The budget included specific projects. During this review, the project specified was management of risk for lone workers. Specifically the purchase of lone worker panic alarms. The budget for leadership training is located within the governance budget, although this budget is not specific to health and safety training.

We did not find evidence in the budget for the following, despite being discussed during the interviews and documented in the Strategic Plan 2019/2020:

- Resource to maintain the newly implemented health and safety management system. As the health and safety management system matures, there is likely to be additional resource requirements from subject matter experts (for example to complete the second line of assurance contracted services audits).
- Training at the officer and governance level for newly elected Councillors.

Human resources for health and safety specific roles include a Zero Harm Manager, advisor and a newly formed administrator role. At the time of the review the administrator role was being filled via an internal secondment.

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##### Recommendations

- Update the Chief Executive Position Description to include accountability for health and safety. Include the key elements such as setting strategy, policy and include the requirement to complete due diligence.
- Determine a specific health and safety training budget for Councillors.
- Develop a resourcing plan, which outlines the expectations for subject matter experts and the business with regards to the developing health and safety management system. This should be based upon the current management system and the proposed future management system. Clarity between first and second line of assurance should be included in this plan.
- Budget for additional resourcing requirements accordingly.

#### Agreed Management actions

- Update the Chief Executive Position Description with the required content in relation to health and safety accountability.
- Identify training requirements and set budget for Councillor training.
- Review the existing plan to include resourcing to deliver on the current Zero Harm Strategic Plan and Health and Safety Management System. Identify and budget for any additional resourcing requirements accordingly.

Responsibility

Target Date

**DRAFT**



## 5. Duty 4: Performance measuring and monitoring

Rating of finding: Low

## Internal Audit Finding

**HSWA 44(4)(d): Ensure that the PCBU has appropriate processes for receiving and considering information regarding incidents, hazards, and risks and for responding in a timely way to that information**

The persons interviewed during the review process felt the level of performance reporting to the Audit and Risk Committee was suitably informative. Feedback from some Councillors who receive the same report indicated, even though they were interested, they did not fully read the Audit and Risk Committee report as it was too detailed and they found it difficult to read on an electronic device.

The Executive Leadership receive a Weekly Dashboard report. This report graphically displays the events reported, hazards reported, safety conversations and overdue actions. This dashboard does not include other leading indicators or how the organisation is tracking in meeting objectives and targets. There is detailed information included in the report on the overdue actions and all levels of incidents that occurred during the week.

We saw evidence of health and safety matters being brought to the attention of the Executive Leadership Team and Councillors via 'upward' communication channels. We also established that workers were advised of these 'upward' communications. We were unable to establish that feedback of outcomes is communicated back into the workforce.

## Recommendations

- Evaluate the quantity and quality of information being distributed specifically for Councillors. Create a succinct report that is easily visible on electronic devices.
- The Weekly Dashboard report should give the officers information to establish that health and safety within their sphere of influence is functioning as intended and has the correct resource. It should also establish that the officers are meeting the goals and objectives.
- Establish mechanisms that communicate back to workers the outcomes of issues and opportunities raised to the Executive Leadership Team. Make workers aware of those mechanisms.

#### Agreed Management actions

- Undertake a review of the Monthly Council Zero Harm Report to identify any improvement opportunities and links to the delivery of the Strategic Plan.
- Undertake a review of the Weekly Dashboard to determine if any changes to reporting metrics are required.
- Investigate the development of a monthly or quarterly dashboard for the Executive Leadership Team and officers to establish that they officers are meeting the goals and objectives.
- Undertake a review of feedback mechanisms to workers and clearly document and educate workers how these mechanisms work.

#### Responsibility

#### Target Date

**DRAFT**



## 6. Duty 5: Compliance

Rating of finding: Medium

## Internal Audit Finding

**HSWA 44(4)(e): Ensure the PCBU has, and implements, processes for complying with any duty or obligation of the PCBU under this Act**

WDC has not yet documented its legal and other requirements (e.g. industry standards such as ISO 3100, voluntary initiatives, internal policies, standards, procedures and frameworks etc.) in regard to health and safety matters. Specifically, no obligations register has been developed. Without this register, it is difficult to understand which, if any, legislative and other requirements are not being covered.

## Recommendations

- Develop an obligations register for key health and safety legislation. We suggest focusing on the critical requirements covered under HSWA as well as the key supporting regulations.
- Conduct a gap analysis to verify how WDC is meeting its legal and other requirements.
- Include compliance with, and changes to, any legal or other requirements in health and safety performance reporting.

#### Agreed Management actions

- Develop health and safety legislative obligations register.
- Conduct gap analysis using newly developed obligations register.

Responsibility

Target Date

**DRAFT**



## 7. Duty 6: Verifying

Rating of finding: Medium

## Internal Audit Finding

## Recommendations

**HSWA 44(4)(f): Verify the provision and use of the resources and processes referred to in paragraphs (c) to (e)**

WDC uses a variety of processes to gain assurance that the health and safety management system is implemented and functioning. These include site visits, observations, checklists, risk deep dives by the Audit and Risk Committee, use of government audit tools, and so on. However, we found little evidence of a structured assurance plan that would verify whether the health and safety management system is functioning as intended.

Specifically, for the second line of assurance, WDC is yet to develop a formal programme (including terms of references) for audits and reviews of:

- *Internal systems and processes*, including for assessing the effectiveness of its critical risks and critical controls. The Risk Management Framework has a second line of assurance audit programme. At the time of this review, there were inconsistencies as to whether the health and safety audits would integrate into this programme, or whether a separate second line programme for health and safety would be developed.
- *Contracted operations* (for example facilities maintenance, water treatment). For contracted operations, we understand Contractor Performance Standards have been drafted, however the corresponding audit protocol has not yet been developed or implemented.
- *Projects and contractors*. With regards to contractors, it is understood that Contract Managers would be responsible for including health and safety within their tendering process and within their regular contract performance audits.

Health and safety system audits appear to be focussed on contractors and contractor management as detailed in the Audit and Risk Committee Agenda. Other elements of the health and safety management system are not included in the WDC audit schedule. There are plans to include health and safety

- Develop an assurance plan based upon the three lines of assurance.
- Aim to integrate health and safety into existing audit programmes where possible and practicable, whilst recognising the need for subject matter expertise to cover certain elements.
- Ensure adequate resources are made available to complete the required second line audits for contracted operations (e.g. of WaterCare Services, of CityCare etc).
- Develop a process that recognises workers for being proactive in the wellness, health and safety space.

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management system audits in the WDC audit schedule once it is in a more mature state (refer also to Section 3.7).

The need to complete an assurance plan based upon the three lines of assurance, and to then complete the second line audits was acknowledged by WDC.

The Zero Harm Policy has committed to, "Actively encourage workers and managers to identify and reward exceptional commitment to Zero Harm." At the time of the review there was little evidence this commitment had been implemented.

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#### Agreed Management actions

- Develop assurance plan for health and safety management system and where possible integrate into existing audit programme.
- Develop Contractor Health and Safety Auditing Programme. Identify and source resourcing to undertake auditing programme
- Discuss and review existing methods of health and safety reward and recognition with Safety Action Team to determine if there are any improvements that can be made to the process. Document health and safety reward and recognition process as part of health and safety management system. Investigate the introduction of a monthly Safety Action Team award and a top driver award in relation to the risk of On Road Driving.

Responsibility

Target Date

**DRAFT**





# Appendices

# Appendix 1: Internal audit scope (extract)

## Objectives

The key objectives of this high-level review were to:

- Understand how WDC identified and responded to the obligations of officers to exercise due diligence as outlined in Section 44 of the Health and Safety at Work Act 2015 (“HSWA”) (as far as is reasonably practicable).
- Identify and report on areas and opportunities for improvement in relation to the above.

## Scope

This review covered the following key areas:

Officer due diligence duty	HSWA section	Review focus
General	44	Overall governance charter and officer due diligence programme.
Competence (duty 1)	44(4)(a)	Programmes to address officer duties to acquire knowledge and apply that knowledge to WDC’s operational context, including targeted training programmes, engagement, information and awareness sessions etc.
Knowledge of risks (duty 2)	44(4)(b)	Officer involvement in regards to health and safety risk management, particularly in setting and reviewing WDC’s health and safety risk appetite.
Resourcing health and safety (duty 3)	44(4)(c)	Officer involvement in developing, reviewing and approving WDC’s health and safety policy and strategy with cascading objectives.

Officer due diligence duty	HSWA section	Review focus
		Roles and resources, including people, systems, and equipment.
Monitoring (duty 4)	44(4)(d)	Performance measuring and monitoring and evidence of two-way communication.  Officer involvement in incident investigation and external regulatory reporting for identified risk.
Compliance (duty 5)	44(4)(e)	Audit programmes and compliance plans as well as other mechanisms to achieve, maintain, and demonstrate legislative compliance.  Evidence of officer leadership in assisting with achieving legal compliance.
Verifying (duty 6)	44(4)(f)	Health and safety assurance programme.  Mechanisms for, and evidence of, officer communications and recognition of success.

## Review approach

KPMG’s approach was:

### Planning

- Obtain key documents on governance, leadership and risk management with reference to health and safety.
- Identify key leadership and health and safety personnel for interviews and agreeing timings for the interviews.

### Fieldwork

- Review the key documents obtained on governance, leadership and risk management with reference to health and safety.
- Conduct interviews to understand and discuss roles, responsibilities and actions.
- Interviews were held on October 1 2019 and October 10 2019.

### Reporting

- Develop a draft report detailing the review findings and opportunities for improvement / recommendations.
- Issue a final report (this report) including Management actions plans to address recommendations.

### Out of scope

This scope did not indicate full coverage or satisfaction of WDC's strategic health and safety risk(s), as strategic risks are managed through a number of business processes and control procedures.

Obligations for health and safety performance rests primarily with Persons Conducting a Business or Undertaking. Therefore, KPMG is not responsible for, nor able to provide assurance around, WDC's future and ongoing compliance with these obligations, as this was outside the scope of this review.

The scope of this high-level review specifically excluded the following:

- Assurances of detailed legislative compliance against health and safety legislation, regulations, codes and standards.
- Human resource-related activities including, but not limited to, employment contracts, grievance and dispute resolution, harassment, anti-discrimination, and disciplinary processes.
- Assurances relating to equipment, plant, property safety, product, transport, food and public safety.
- WDC's contractor management framework, and compliance with Section 34 of HSWA.

## Appendix 2: Ratings and classifications

### Audit rating

The audit ratings are defined as follows:

Rating	Definition
<b>GOOD</b>	The controls are fit for purpose and are being performed in a manner which effectively mitigates the identified risks.
<b>EFFECTIVE</b>	Despite the fact that some control weaknesses were identified, existing controls within the audited process are considered to be generally adequate, appropriate and effective. They ensure that the audited business processes will achieve their control objectives.
<b>DEVELOPING</b>	Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.
<b>NOT EFFECTIVE</b>	Existing controls are considered to be inadequate and ineffective to ensure that the audited business processes will achieve their control objectives. Significant improvements are required to improve the adequacy and effectiveness of the control environment.

### Risk rating

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

Rating	Definition
<b>LOW</b>	Matters which are unlikely to have a significant impact on the system of internal control, but should be addressed as part of continuous improvement.
<b>MEDIUM</b>	Matters which are important to the system of internal control and should be addressed as soon as possible.
<b>HIGH</b>	Matters which are fundamental to the system of internal control. The matters observed can seriously compromise the system of internal control and data integrity and should be addressed as a matter of urgency.



### Open Meeting

<b>To</b>	Audit & Risk Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	21 November 2019
<b>Prepared by</b>	Lynn Shirley Zero Harm Manager
<b>Chief Executive Approved</b>	Y
<b>Reference/Doc Set #</b>	GOV1318
<b>Report Title</b>	Waikato District Council Zero Harm Safety Management System Update (ZHSMS)

## 1. EXECUTIVE SUMMARY

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The purpose of this report is to present an overview of the Waikato District Council Zero Harm Safety Management System (“ZHSMS”) to the Audit & Risk Committee and provide an update on current health and safety performance.

## 2. RECOMMENDATION

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**THAT the report from the Chief Executive be received.**

## 3. REPORT

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### Primary Objective

Council is committed to pursuing a culture of Zero Harm by eliminating or managing health, safety and wellbeing risks.

Our Zero Harm Safety Management System (consisting of policies, standards, procedures and process) will enable us to develop a sustainable zero harm culture and achieve best practice health and safety performance.

We aim for more than just compliance by observing the principle that workers and others should be given the highest level of protection against harm to ensure their health, safety and wellbeing.

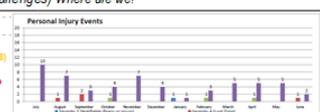
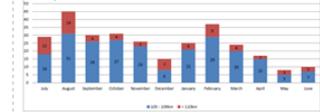


## Disciplined Management Systems

### Strategic Planning

The Zero Harm Team continues to progress activities detailed in the Zero Harm “Work Safe, Home Safe” Strategic Plan for FY20. The following three activities planned for Q2 are yet to commence:

- Safety Leadership survey with all People Leaders. Focus has been on delivering People Leader Safety Training modules.
- Develop and deliver Hazard and Risk Management Training. Investigating using an external provider for this.
- Develop Critical Risk Standard and Bowtie for Working on or Near Roads. Will commence in Q3 as the Working Alone Management Standard has already been completed and the controls for managing the risk of working alone are covered in the Workplace Violence Critical Risk Bowtie.

Date: 30/08/2019 Version 3		Zero Harm “Work Safe, Home Safe” Strategic Plan 2019/2020		Lead: Gavin Ion Support: Kylie Anderson and Lynn Shirley																																																																																																																							
<p><b>Vision (Mission)</b></p> <p>Our staff are our greatest asset. To support our staff to be engaged we must provide and maintain a work environment that is without risks to health and safety.</p> <p>We want our “Zero Harm” culture and “Work Safe, Home Safe” vision to extend beyond the workplace. We encourage the safe and healthy practices we undertake at work to be carried out in the home and community environment. We would like to be an employer of choice as a result of our health, safety and wellbeing performance. The Zero Harm Team will be accessible and actively coach and support our people to achieve our Zero Harm vision.</p> 		<p><b>“Work Safe, Home Safe” 2018/2019 (Team Objectives, Tactics, Projects and Targets)</b></p> <table border="1"> <thead> <tr> <th>Goal</th> <th>Activities</th> <th>Lead</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td rowspan="5"><b>People</b> Safety Engagement Conversation Target = 2 per Manager/Team Leader per month  % of training completed in accordance with Training Needs Analysis</td> <td>1. Undertake a Safety Leadership survey with all People Leaders</td> <td>ZHT</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. Further develop and deliver Safety Leadership training programme for People Leaders</td> <td>ELT/ ZHT</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. 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Zero Harm “Work Safe, Home Safe” Strategic Plan 2019-2020 is attached.

### Zero Harm Safety Management System (ZHSMS)

Work has continued on reviewing and updating our documented safety management system. Recently developed and published components of our safety management system include:

- Critical Safety Risk Management Standard
- Measuring and Monitoring Health and Safety Performance Standard
- Legal Compliance (Obligations) Standard
- Event Management Standard

Key areas of focus for the next quarter include:

- Workplace Stress and Fatigue Critical Risk Management Standard
- Working on or Near Roads Critical Risk Management Standard
- Training and Competency Management Standard
- First Aid Management Standard
- On Road Driving Management Standard
- Management of Change Standard

The Zero Harm Team is recommending that once these standards are approved and implemented then they are incorporated into the internal audit programme to provide a second line of assurance.

### ***Volunteer Worker Management Standard***

The Zero Harm Team has been working closely with the Venues & Events Team over the last quarter to support the implementation of the Volunteer Worker Management Standard. Feedback from Volunteer groups to date has been positive and the relevant Promapp processes are currently being updated.

### ***Hazard and Risk Management***

As previously stated, the following standards have recently been developed and approved:

- ZHSMS 1.4.1 Hazard and Risk Management; and
- ZHSMS 3.0 Critical Safety Risk Management Standard.

These provide the framework for how we will identify, assess and control our actual or potential hazards and also how we will manage our critical safety risks. Work has been continuing on reviewing hazard registers in BWare Safety Manager. A Bowtie control plan has also been developed to identify the controls required to manage the enterprise level risk of contracting out the maintenance our facilities.

### ***Contractor Management***

#### Monitoring Contracted Work

Over the last quarter the Zero Harm team has developed and deployed the following two new tools to monitor contractors whilst they are undertaking work:

- Contracted Work Health and Safety Plan Audit Tool
- Contracted Work Task or Job Safety Analysis Audit Tool

The Contracted Work Health and Safety Plan Audit Tool is designed to assess the implementation and operation of a contractor's health and safety plan following the commencement of work. It consists of questions that require the contractor's documentation to be checked and interview questions for workers and sub-contractors to evaluate dissemination of information and involvement in health and safety management. Positive feedback on the process has been received from both Contract Managers and the contracted organisation that have been audited.

The Contracted Work Task or Job Safety Analysis Audit Tool is designed to review the identification, risk assessment and management of hazards associated with a contracted

work task. It consists of questions that require a review of the Task or Job Safety Analysis documentation and interview questions to determine if the hazards and controls associated with the work have been communicated to workers.

The Zero Harm Team continues to meet with the Community Projects Team on a regular basis to co-design and review the Contractor Management process and its associated tools.

### Consultation, Cooperation and Coordination

Persons Conducting a Business or Undertaking (“PCBUs”) that work together, either in a contracting chain or a shared workplace will likely share health and safety duties in relation to the same matter. The Health and Safety at Work Act (“HSWA”) 2015 terms these as overlapping duties as illustrated in Figure 1 and Figure 2. WorkSafe NZ expects that PCBUs with shared duties are able to explain the steps they have taken to consult, cooperate and coordinate with each other about their overlapping duties, and their arrangements to control risks. As a minimum the following should be discussed and agreed:

- Nature of each PCBUs work activities
- Which PCBU should manage what health and safety risks
- How ongoing communication on health and safety will occur

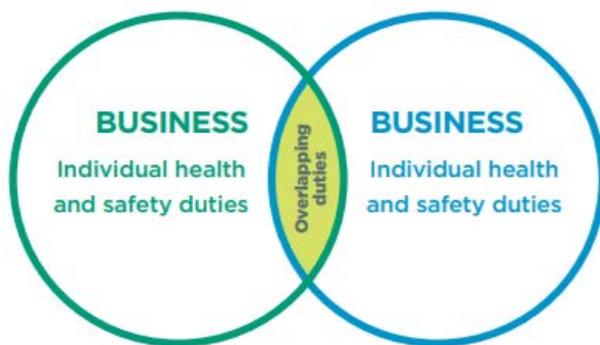


Figure 1: Overlapping duties in a shared workplace

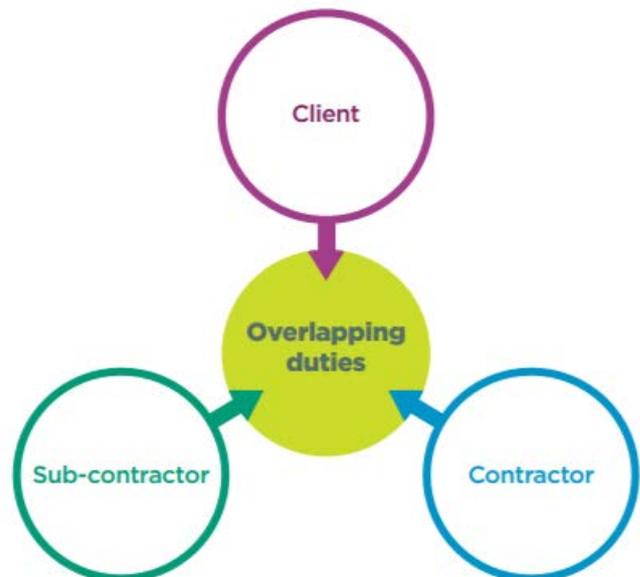


Figure 2: Overlapping duties when businesses don't share a workplace

A workshop to trial the process was recently held between Council and the following PCBUs who share the Brownlee Avenue site:

- Waikato District Alliance
- Watercare Services Ltd
- City Care Ltd

A Consultation, Cooperation and Coordination (3C's) Plan is being developed to record how overlapping health and safety duties will be managed between all PCBUs going forward. This approach will now be applied to a number of Council's other contracting relationships.

## **Critical Risk Management**

### ***Asbestos Management***

An annual risk management review of the Asbestos Critical Risk Bowtie was completed in October. A number of controls have been implemented in the last few months. The number of controls now in place is 23 out of 28 or 82%.

### ***On Road Driving – Light Vehicles***

Tender evaluation is now underway for vehicle GPS trackers and associated data services as the current contract has expired. A project team has been formed to support the implementation of the outstanding controls in the On Road Driving Critical Risk Bowtie. A Driver Skills Workshop has been planned for February 2020 in conjunction with the Road Safety Coordinator, as a pilot for our higher risk drivers. Higher risk drivers are defined by our Safe Use of Council Vehicles Policy as someone:

- Who drives more than 35,000 kms per year on Council business
- Who drives a vehicle on Council business more than 100 days in a year
- Who is under 25 years of age
- Who holds a restricted licence

On Road Driving risk management will be a key focus of our Work Safe, Home Safe Week in February 2020.

### ***Workplace Violence***

A number of controls in the Workplace Violence Critical Risk Bowtie have been implemented over the last quarter. These include:

- The identification and determination of training needs for workers exposed to the risk of workplace violence.
- Selection of a new technology solution for monitoring lone workers.
- A centralised electronic Trespass Register to record details of people that have been trespassed from Council facilities.
- A security risk assessment at Raglan Holiday Park by an independent consultant.

Workplace Violence risk management has also been selected as a key focus of our Work Safe, Home Safe Week.

## **People and Organisational Safety Culture**

### ***Safety Leadership***

Over the past three months the Zero Harm team has continued to deliver Safety Leadership training to People Leaders. To date 24 People Leaders have completed all three modules.

Feedback from participants continues to be positive. Additional training modules are to be developed to cover the key aspects of our Zero Harm Safety Management System.

### ***Safety Engagement Conversations***

Engaging with our people and discussing health, safety and wellbeing issues and providing recognition has continued to remain a key area of focus. A total of 547 conversations were recorded in BWare Safety Manager for the period August to October 2019. There was only

205 conversations record during the same time period in 2018. The attached Zero Harm Dashboard illustrates safety performance for October.

### **Zero Harm Policy**

Council's current Zero Harm Policy was developed in May 2017 and is overdue for review. The Zero Harm Team has undertaken a review of the Policy (now known as our Zero Harm Commitment) to ensure its alignment with AS/NZS ISO 45001 Occupational Health and Safety Management Systems and is ready to commence consultation with the following key stakeholders; Executive Leadership Team, Safety Action Team, Staff Engagement Group, Council and the Audit & Risk Committee. The Draft Council Zero Harm Commitment is attached.

## **4. DISCUSSION AND ANALYSIS OF OPTIONS**

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### **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**

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### **5.1 FINANCIAL**

There are no direct financial requirements identified in this report.

### **5.2 LEGAL**

This report is prepared as part of assisting Council to meet its duties in accordance with the Health and Safety at Work Act 2015 and associated regulations.

### **5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT**

Council has a Zero Harm Commitment (Policy) and Zero Harm Strategy which forms the basis of our health and safety philosophy and management system.

### **5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS**

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

## **6. CONCLUSION**

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This report provides an update on our Zero Harm Safety Management System and monthly health and safety performance.

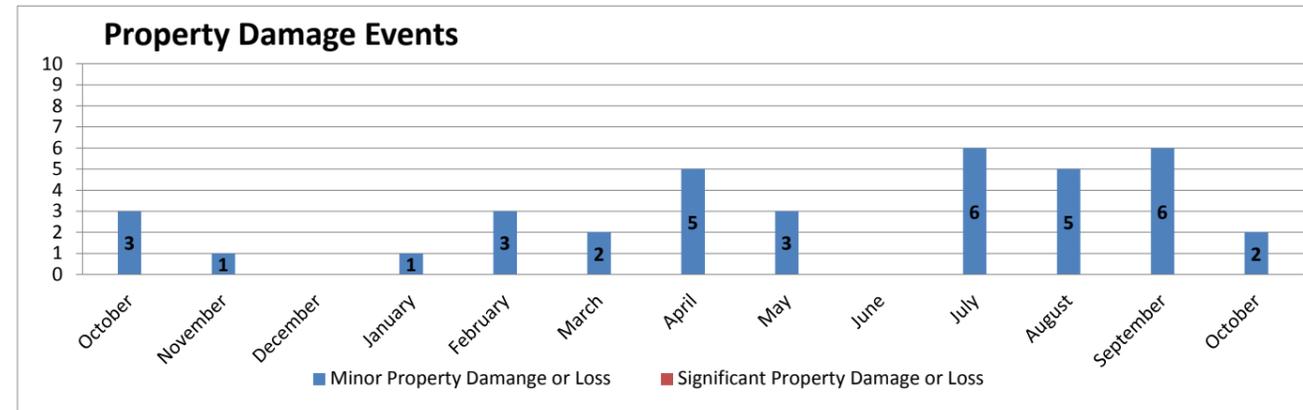
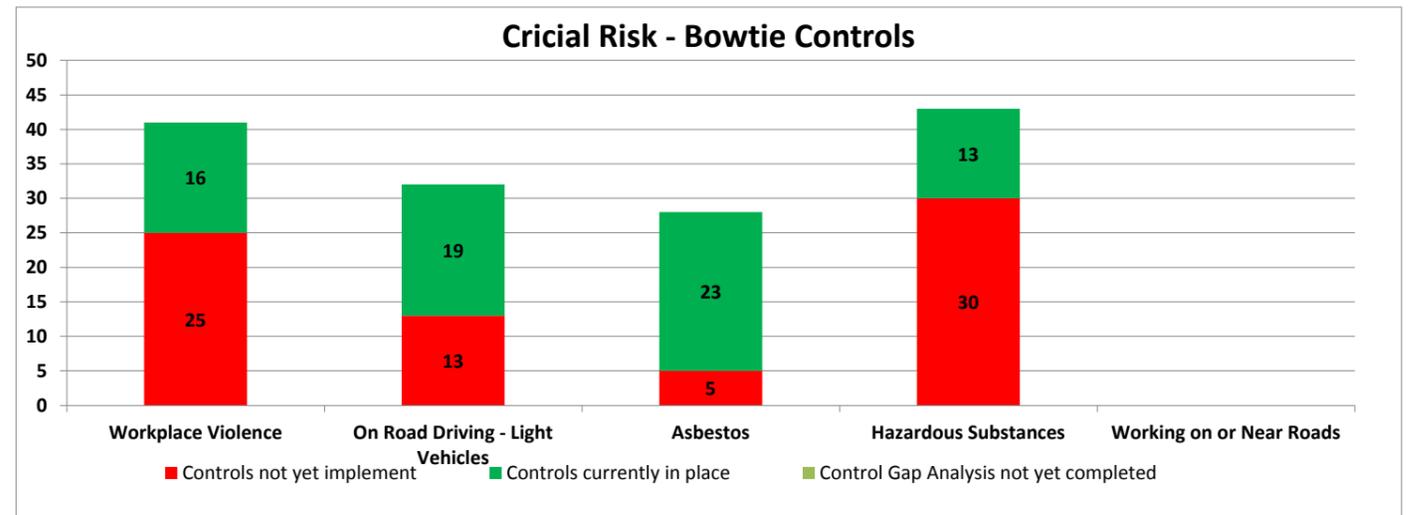
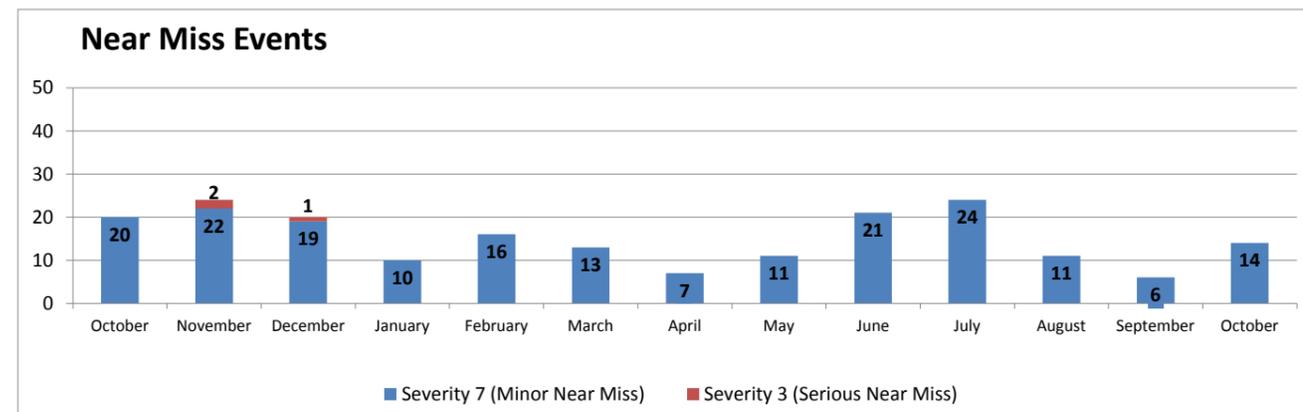
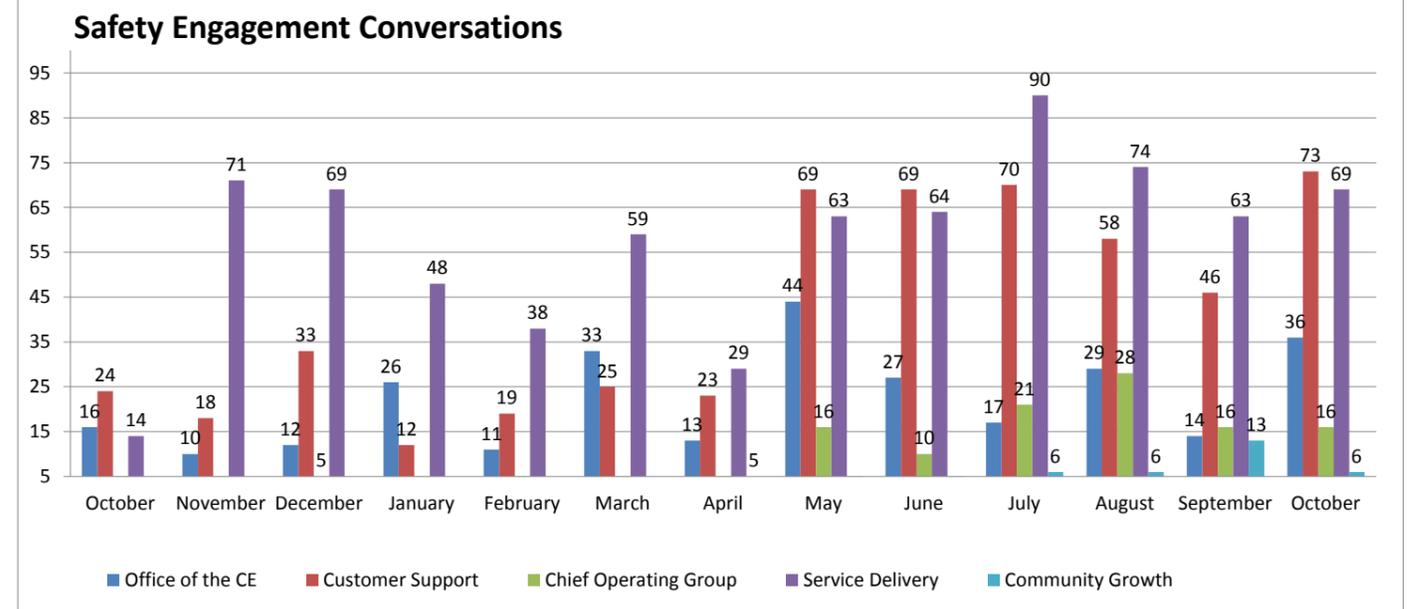
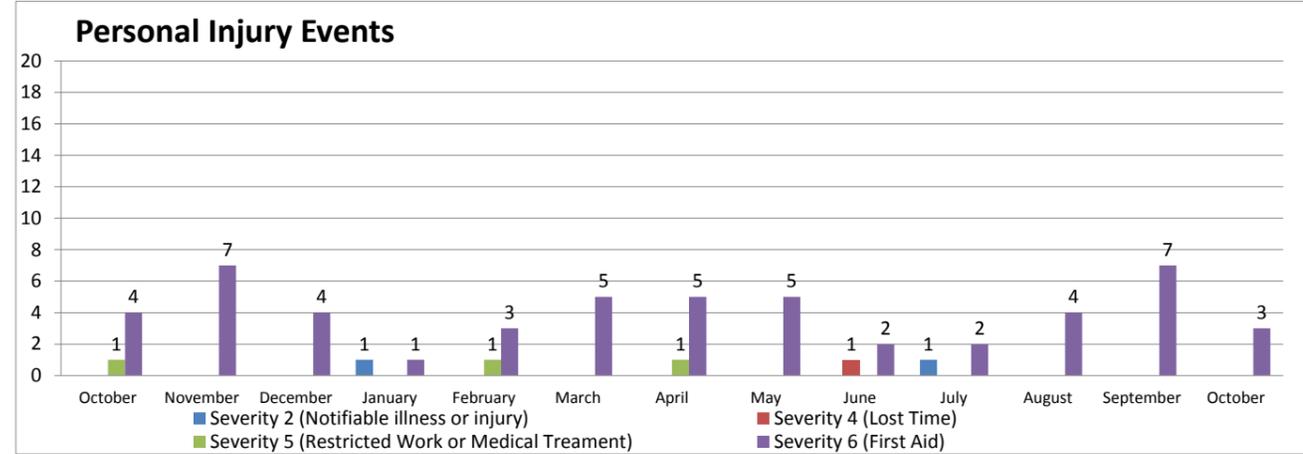
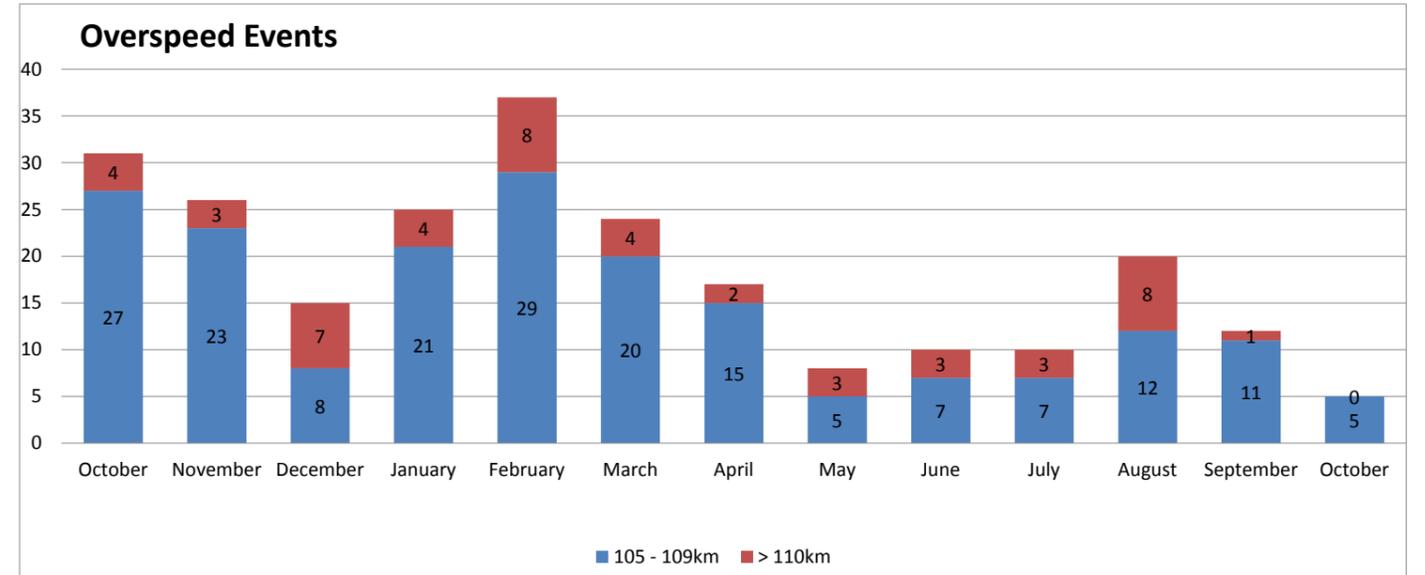
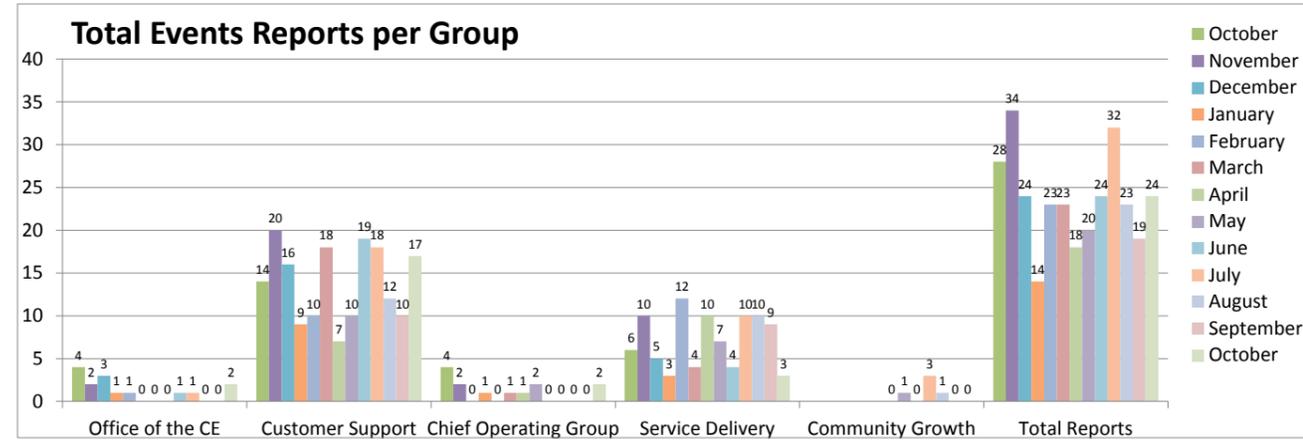
## **7. ATTACHMENTS**

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- Zero Harm Dashboard – (October 2019)
- Zero Harm “Work Safe, Home Safe” Strategic Plan 2019-2020
- DRAFT Zero Harm Commitment

# Zero Harm Dashboard - October 2019

As at 31 October 2019



**Vision (Mission)**

Our staff are our greatest asset. To support our staff to be engaged we must provide and maintain a work environment that is without risks to health and safety.

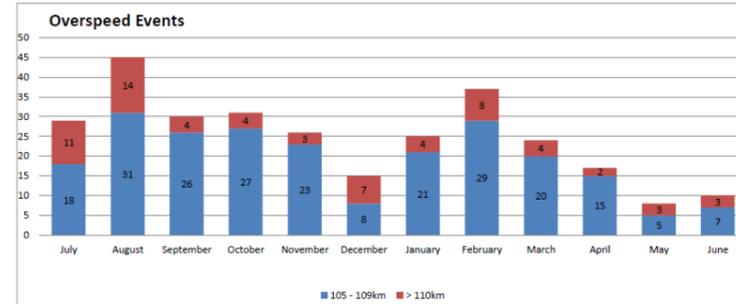
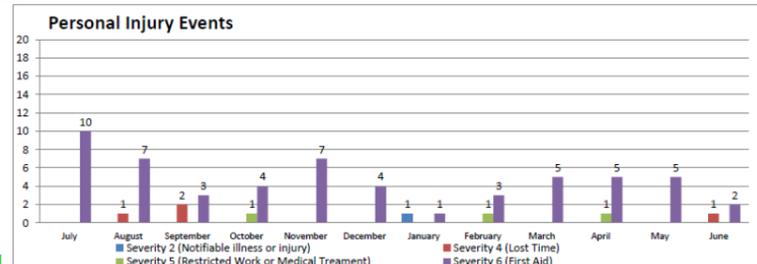
We want our "Zero Harm" culture and "Work Safe, Home Safe" vision to extend beyond the workplace. We encourage the safe and healthy practices we undertake at work to be carried out in the home and community environment. We would like to be an employer of choice as a result of our health, safety and wellbeing performance. The Zero Harm Team will be accessible and actively coach and support our people to achieve our Zero Harm vision.



**Performance, gaps and targets (Key Challenges) Where are we?**

2018 / 2019 Performance

- 8 Total Recordable Injuries (TRIFR)
- 334 events reported in BWare (46% reduction on 2017/2018)
- 248 Over speed events (10% reduction on 2017/2018)
- 67 Over speed events at greater than 110km (15% increase on 2017/2018)
- 1 WorkSafe NZ Notifiable Injury event
- The number of safety engagement conversations being held has increased (71% on 2017/2018)



Gaps

- We have had limited focus on Critical Risk Management
- Our document H&S Management System is fragmented
- We have low levels of hazard reporting in BWare
- We are not undertaking analysis on our event data to identify trends and opportunities for improvement
- A number of people leaders have not received safety leadership training

**Reflection on activities (2018/2019) (Key Activities) How did we perform?**

Theme	Rating	Key result/meaning?
People	Green	Safety Leadership Training sessions have been held with a number of People Leaders. The Safety Action Team (SAT) received Incident Investigation Training to US 17601. Work Safe, Home Safe 2019 was incorporated into the "Team Up" event with Nigel Latta focussing on individual safety responsibilities. Brad Norris from Synergy Health supported the relaunch of our Wellbeing Programme using the Tracksuit Inc. platform. Zero Harm has supported the formation of a Wellbeing Collective and a number of personal health initiatives including personal health testing and influenza vaccinations have been provided. Zero Harm was involved in the review of role position descriptions and the revised PDs now have simplified and aligned health and safety responsibilities.
Disciplined Management Systems	Orange	The Zero Harm Compliance Calendar is still to be developed. Have continued to develop our ZHSMS including PPE, Working Alone, Discomfort and Pain, Post Traumatic Event Procedures. Significant progress has been made on the reviewing current physical works contractor H&S plans. Work is ongoing with review of contractor management procedures. A new Contracted Work H&S Risk Assessment form. Work has commenced on review of our Hazard and Risk management procedures. Bware is being used to manage and track corrective actions. Hazards are being reviewed and updated in Bware. Bware training has been undertaken. The reporting of hazards remains sporadic.
Managed Risks	Green	Documented management standards developed for all four selected critical risks. Gap analysis completed for workplace violence, asbestos, on road driving and underway for hazardous substances. Four new critical risks have been selected for FY20 focus.

**"Work Safe, Home Safe " 2018/2019 (Team Objectives, Tactics, Projects and Targets)**

Goal	Activities	Lead	Q1	Q2	Q3	Q4
<b>People</b> Safety Engagement Conversation Target = 2 per Manager/Team Leader per month  % of training completed in accordance with Training Needs Analysis	1. Undertake a Safety Leadership survey with all People Leaders	ZHT				
	2. Further develop and deliver Safety Leadership training programme for People Leaders	ELT/ ZHT	Green	Yellow	Grey	Grey
	3. Work Safe, Home Safe 2020 Campaign developed and deployed to all workers and councillors	ZHT		Yellow	Grey	
	4. Deliver Health and Safety Rep Stage 1 Training to all SAT Reps	ZHT		Yellow		
	5. Support and promote the activities detailed in the Wellbeing Collective 19-20 Strategic Plan	ZHT	Green	Yellow	Grey	Grey
<b>Disciplined Management Systems</b> Number of corrective actions >7 days overdue  Audit compliance with AS/NZS ISO 45001:2018	1. Develop and deploy "Work Safe, Home Safe" Compliance Calendar	ZHT	Green	Yellow		
	2. Continue to review and further develop the Zero Harm Management System Framework to AS/NZS ISO 45001:2018	ZHT	Green	Yellow	Grey	Grey
	3. Continue to review and update Contractor Management Procedures and processes	ZHT	Green	Yellow	Grey	Grey
	4. Review current Hazard and Risk Management Procedures	ZHT	Green			
	5. Develop and deliver Hazard and Risk Management Training to all teams	ZHT			Grey	Grey
	6. Develop and deliver Contractor H&S Management Training to Contract Managers	ZHT	Green	Green	Grey	Grey
	7. Review and update procedures and process to manage Volunteer Worker H&S Manage-	ZHT	Green	Yellow	Grey	Grey
<b>Managed Risks</b> 80% of critical risk bow tie controls implemented	1. Implement Working Alone Standard and undertake risk assessments where required.	ZHT	Green	Yellow	Grey	
	2. Implement Bowtie Controls for Hazardous Substances, Workplace Violence, Asbestos and On Road Driving Critical Risks	ZHT	Green	Yellow	Grey	Grey
	3. Develop Critical Risk Standard and Bowtie for Working on or Near Roads	ZHT		Grey		
	4. Develop Critical Risk Standard and Bowtie for Working Alone	ZHT			Grey	
	5. Develop Critical Risk Standard and Bowtie for Stress	ZHT				Grey
	6. Develop Critical Risk Standard and Bowtie for Fatigue	ZHT			Grey	

Key Resources
<ul style="list-style-type: none"> <li>• Lynn Shirley</li> <li>• Kylie Anderson</li> <li>• Liana Gough</li> </ul>

Team Up—Partners
<ul style="list-style-type: none"> <li>• IM</li> <li>• Communications and Marketing</li> <li>• People and Capability</li> <li>• Safety Action Team</li> <li>• Executive Leadership Team</li> <li>• Senior Leadership Team</li> <li>• EA, PA, TA</li> <li>• WLASS Health and Safety Forum</li> </ul>

Customer Engagement

Customer Segments

Strengths

Weaknesses
Easily distracted, often working reactively,

Opportunities

Threats

Political

Environmental

Social

Technical

Economic

Legislative

# OUR ZERO HARM COMMITMENT



**Waikato District Council is committed to pursuing a culture of Zero Harm by eliminating or managing health, safety and wellbeing risks.**

## Our Beliefs

We believe that:

- By looking after ourselves and others we will return home safe every day
- Health and safety is everyone's non-negotiable responsibility
- Work should only start when all safety critical controls are in place

## Our Commitment

We are committed to providing a safe and healthy working environment for our staff, elected members, contractors, volunteers and the community.

## To deliver on this commitment we will:

- Be visible leaders across our teams through actively demonstrating our Zero Harm essentials
- Foster an environment of collaboration and innovation on all matters relating to the health and safety of our people and our communities
- Align our health and safety objectives with Council's strategies and risk profiles
- Monitor and review health and safety performance to ensure our objectives are being met
- Design, construct, operate and maintain our assets to provide a healthy and safe working environment for our people and community
- Remain open to change through continuous improvement of our safety management system to minimise exposure to critical safety risks
- Observe, implement and fulfil the requirements of all relevant health and safety legislation, regulations and codes of practice
- Focus on opportunities to actively encourage participation and promote the merits of good health and safety practice
- Ensure all our people are aware of and carry out their health and safety requirements

## Our Actions

Together through commitment, communication, acts of safety and a strong Zero Harm culture, we will make Waikato District Council a healthy and safe place to work and visit.

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	21 November 2019
<b>Prepared by</b>	Alison Diaz Chief Financial Officer
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2403080
<b>Report Title</b>	Integrated Reporting Framework

## **I. EXECUTIVE SUMMARY**

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Council’s current legislative reporting framework culminates each year in the Annual Report, which as a communication avenue provides for limited engagement with our main stakeholders – residents and ratepayers. The purpose of the Annual Report is to compare intended performance for the year against actual performance, however, the full document is lengthy, the narrative is firmly based in the past and provides little context of the issues that council must navigate. In addition, many employees view the report as a compliance piece and do not understand the links between the performance of their functional area and how this contributes to the Annual Report.

In recent years, many for-profit organisations have instead adopted an integrated reporting framework to “strike an important balance between flexibility and prescription.... encouraging organisations to communicate their unique value creation story while enabling a sufficient degree of comparability across organisations” (International Integrated Reporting Council). The framework can also be used by public entities and not-for-profit organisations, but has to date, not been implemented as widely. New Zealand Post has been presenting integrated reports since 2014, and the Office of the Auditor General began incorporating some of the principles in their 2015/16 Annual Report.

This report briefly explains what integrated reporting is and outlines the benefits and challenges as this form of reporting continues to be adopted globally.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

### **3. BACKGROUND**

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The International Integrated Reporting Framework was established in 2013 following a pilot programme spanning 26 countries and 140 participants. The framework seeks to bring “greater cohesion and efficiency to the reporting process... adopting ‘integrated thinking’ as a way of breaking down internal silos and reducing duplication.” It focuses on value creation and how the ‘capitals’ (explained below) used by a business create that value over time in a sustainable way. By 2017 there were approximately 2,000 participants in Integrated Reporting networks worldwide.

Rather than simply reviewing the year that has passed, as is largely the case with general purpose financial reporting, this style of reporting provides stakeholders with an insight into strategy and how the organisation will holistically create value in the short, medium and long term.

### **4. FUNDAMENTAL CONCEPTS**

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An integrated report “provides insight about resources and relationships used and affected by an organisation – these are collectively referred to as “the capitals”. These capitals can be increased, decreased or transformed through the activities and outputs of the organisation”. The capitals are those that create value over time not only for the organisation but for their stakeholders, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

The framework suggests categorisation of the capitals into:

- Financial;
- Manufactured;
- Intellectual;
- Human;
- Social and relationship; and
- Natural capital.

The specific categorisation for each organisation will be determined by their value-add activities. For example, New Zealand Post uses Our People, Our Expertise, Our Networks, Our Relationships, Our Finances and Our Environment to categorise the capitals that create value for their organisation and stakeholders. Whereas, Z Energy uses Our Assets, Our Finances, Our Capability, Our People and Culture, Our Environment and Our Place in New Zealand and also links each of their capitals to the United Nations Sustainable Development Goals (pages 20-24 of the Z Energy 2019 Annual Report are attached).

### **5. GUIDING PRINCIPLES AND CONTENT**

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The International Integrated Reporting Council’s framework lists seven guiding principles underpinning the preparation of an integrated report and eight linked content elements. It is

the strength of these that promotes a well-informed more engaging conversation with stakeholders.

	<b>Guiding Principles</b>	<b>Description</b>		<b>Content</b>	<b>Questions to answer</b>
1	Strategic focus and future orientation	provide insight into strategy and how it relates to the ability to create value in the short, medium and long term, and the use and effects on the capitals	1	Organisational overview and external environment	What does the organisation do and what are the circumstances under which it operates?
2	Connectivity of information	show a holistic picture of interrelatedness and dependencies between the factors that affect the ability to create value over time	2	Governance	How does the governance structure support the ability to create value?
3	Stakeholder relationships	provide insight into the nature and quality of stakeholder relationships including how and to what extent the organisation understands, takes into account and responds to their needs and interests	3	Business model	What is the organisations business model?
4	Materiality	disclose information about matters that substantively affect the ability to create value over the short, medium and long term	4	Risk and opportunities	What are the specific risks and opportunities that affect the organisations ability to create value and how is the organisation dealing with them?
5	Conciseness	An integrated report should be concise	5	Strategy and resource allocation	Where does the organisation want to go and how does it intend to get there?
6	Reliability and completeness	include all material matters, both positive and negative, in a balanced way without material error	6	Performance	To what extent has the organisation achieved its strategic objectives for the period and what are the outcomes in terms of effects on the capitals?
7	Consistency and comparability	The information should be presented; a) on a basis that is consistent over time, and b) in a way that enables comparison with other organisations to the extent that it is material to its own ability to create value over time	7	Outlook	What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
			8	Basis of presentation	How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

## 6. BENEFITS AND CHALLENGES

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While the framework generally relates to communicating with stakeholders through relevant reporting, the benefits that flow from this change in presentation are far greater than the reports themselves.

In April 2017, the Association of Chartered Certified Accountants (“ACCA”), took part in the Integrated Reporting Business Network Report Critique project and released their findings on the benefits and challenges of integrated reporting. The quotes provided below reflect actual commentary taken from participants who are currently using Integrated Reporting.

**The benefits** of Integrated Reporting include (Perrin, 2017):

- **More integrated thinking and management**  
 “Integrated thinking is the prize and integrated reporting is incidental to that”  
 “By looking at the business in terms of the six capitals, sustainability becomes a core part of strategic thinking”  
 “Increased level of engagement and more involvement between different teams as a result”  
 “The exercise of connecting content elements with each other and connecting the concept of past, present and future has helped us to break existing silos”
- **Greater clarity on business issues and performance**  
 “The framework allows us to delve into the underlying factors that are driving our balanced scorecard approach. For example, employee engagement is on the scorecard but the material factors underpinning this include employee retention and management. We can think more concretely about the risks and opportunities, the KPIs and our initiatives to grow this resource”
- **Improved corporate reputation and stakeholder relationships**  
 “IR is the right framework for bringing together financial and sustainability reporting, which should help investors to understand the business and its outcomes. It is a single source of data that the stakeholder can access. They can see the strategy of the business, our growth, our performance, our direction”
- **More efficient reporting**  
 “Stakeholders can find the information they need more easily without having to contact the business. It provides a deck of well-articulated information”
- **Employee engagement**  
 “It’s given employees greater pride in the business... they become ambassadors of the company”
- **Improved gross margins (lower costs)**  
 “Improved insights support better business performance”

The review by ACCA identified common areas of **weakness/challenge and priority areas for improvement:**

- **Value creation**  
“The concept of value creation is central to an integrated report. Organisations on the whole were able to give better explanations of how they create value for themselves than how it does it for others, while some struggled with the distinction between the two”
- **Connectivity**  
“It is challenging to show the interrelatedness and dependencies between different factors that create value for the business as a whole”
- **Materiality**  
“Many struggle to explain their materiality determination process well”  
“Many applied sustainability reporting materiality rather than the frameworks value creation methodology”
- **Conciseness**  
“Conciseness can be difficult when trying to provide sufficient context to help readers understand the organisations value-creation process and performance. A number of reports had over 150 pages”
- **Reliability and completeness**  
“Achieving a balance of good and bad news in equal measure is difficult”  
“Lack of ‘guide or template’ for assurance providers means that invariably the financial aspects are ‘audited’ with everything else having a lower level of assurance.”
- **Consistency and comparability**  
“Some reports did not provide comparisons or were inconsistent”  
“Meaningful comparability between organisations is some way off”

## **7. CONCLUSION**

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While it may be too early in the life cycle for local authorities to fully adopt Integrated Reporting, there is an opportunity to explore our own set of value-creation capitals and to incorporate some of the guiding principles in our approach to reporting.

## **8. ATTACHMENT**

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Excerpt from Z Energy’s 2019 Integrated Report (pages 20-24)

## 9. WORKS CITED

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International Integrated Reporting Council. Retrieved November 2019, from Integrated Reporting (IR): <https://integratedreporting.org>

Perrin, Y.-P. C. (2017). Insights into integrated reporting, challenges and best practice responses. *The Association of Chartered Certified Accountants*, 8-35.

# Our business model

### Our ambition

To be a world-class  
Kiwi company

### Our values

Share everything  
Have the passion  
Back our people  
Be straight up  
Be bold

### Our stands

Health, Safety, Security  
and Environment  
Environmental Sustainability  
Community  
Diversity and Inclusion

# Our inputs

- 1 Our assets
- 2 Our finances
- 3 Our capability
- 4 Our people and culture
- 5 Our environment
- 6 Our place in New Zealand

# Our outcomes

- 1 Our assets
- 2 Our finances
- 3 Our capability
- 4 Our people and culture
- 5 Our environment
- 6 Our place in New Zealand

For a breakdown on how our outputs have worked towards achieving our SDGs in 2019 see the next page.



3	4	5	7	8
11	12	13	15	16

The United Nations Sustainable Development Goals set a global context around sustainable development. Our positive aspirations and actions align closely with 10 of the Sustainable Development Goals.

**1 Our assets**

All of our terminals are now under our operational control. We invested in innovative technology for the roll-out of Fastlane, providing customers with new ways of fuelling up without leaving their vehicles. Investments in technology are setting us up for a more digital future.



**2 Our finances**

We achieved our revised earnings targets, continued to reduce our debt and simplified our dividend policy to provide increased clarity and certainty to investors. We remain on track to deliver the synergy benefits expected from the Caltex acquisition.



**3 Our capability**

Our organisational capability strategy continues to develop to align with our focus on customer experience, innovation and digitisation under Strategy 3.0. It is designed to ensure our people have the skills they need to succeed for the future. As part of this we have rolled out an ambitious Innovation Capability Programme.



**4 Our people and culture**

Our staff engagement levels remain high. Z appointed its first female Board Chair and celebrated the first anniversary of attaining the Rainbow Tick diversity and inclusion certification.



**5 Our environment**

Z's greenhouse gas emissions decreased this year compared to FY18, driven by reductions in operational emissions from coastal shipping, ground freight of fuel and retail electricity use. Our biodiesel is now fuelling Fonterra's North Island milk tanker fleet. We have not made as much progress toward our waste reduction targets as planned.



**6 Our place in New Zealand**

We remain committed to our Community stand and to doing good in our neighbourhoods. In the 2018 Good in the Hood programme we ran a fuel discount day, raising extra funds for community groups across the country.



## Reporting on what matters

To determine our material matters, we talked to a diverse range of our internal and external stakeholders about all sorts of things that mattered to them.

### Central government

We engaged with government agencies, regulators, Ministers and Members of Parliament about the macro-environment in which we operate. We had constructive conversations about fuel prices, industry competition, alternative fuels and clean energy, climate change, and the security of energy supply.

### Our customers

We talked to customers about our latest innovations and ways to improve our customer service, such as through Fastlane and the Good in the Hood programme. This was through customer surveys and face-to-face interviews conducted as part of innovation projects.

### A diverse range of organisations

We engaged with local government, community groups, not-for-profit organisations and the sustainability sector about environmental and sustainability issues, and how Z can best make a difference in our local communities.

### Our investors

We run regular domestic and international investor roadshows. This year, key material topics included capital allocation, performance in Retail, the Flick acquisition and our dividend policy.

### The media

We participated in public forums and media interviews on a range of topics that matter to New Zealanders. We are known for being totally accessible and straight up when speaking in public; through this approach, we hope others will respond positively.

### Members of the public

We remain active on social media and receive feedback and comments from members of the public. During the year we ran several prominent campaigns, including one about removing single-use plastic bags from our service stations and the more lighthearted 'What's the name of your car?'

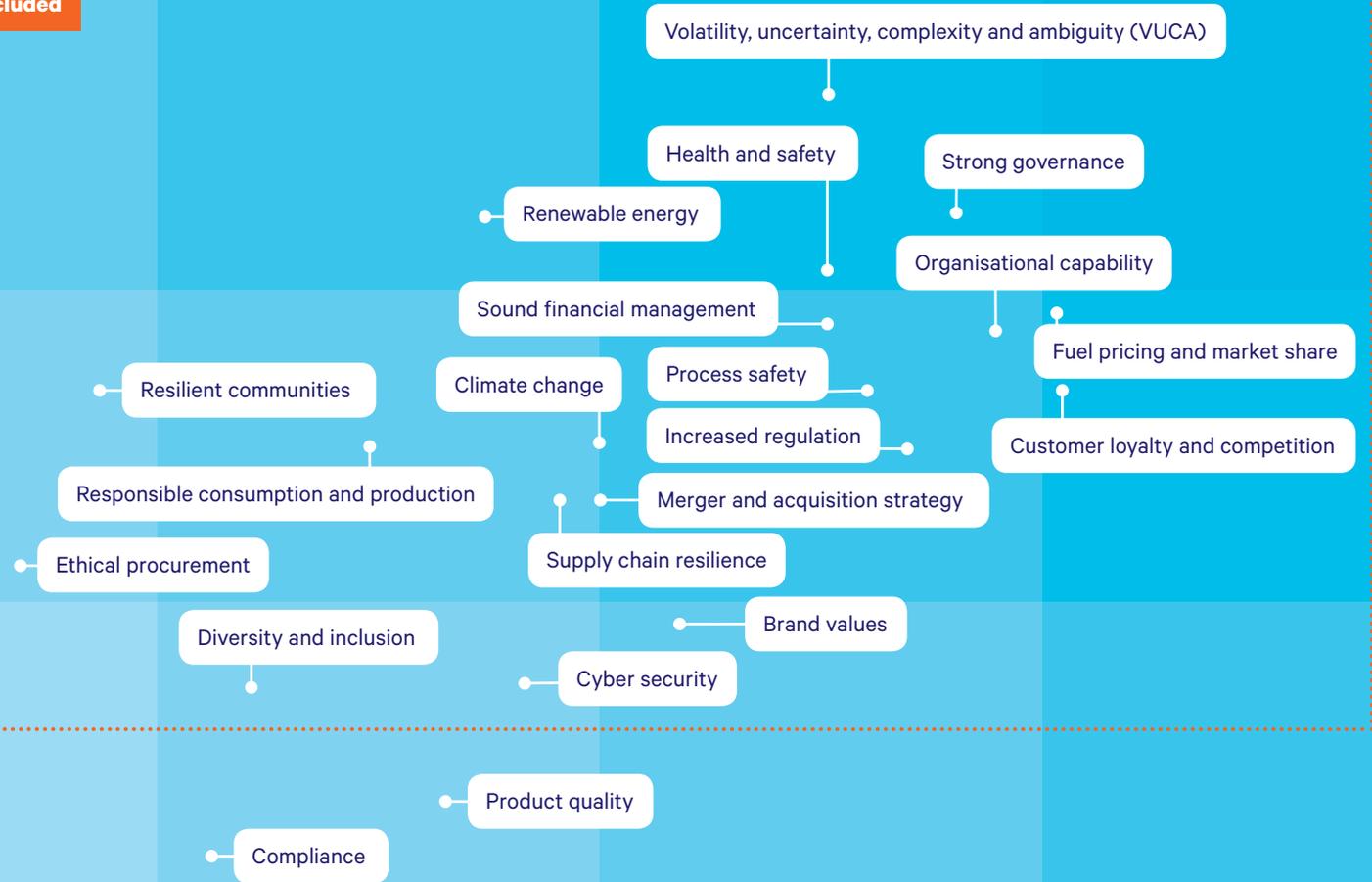
## Our material topics

This year we identified 22 material topics. We have focused on those within the orange box for this report.

Importance to stakeholders

Importance to Z

Included



## Creating value for our shareholders

Z Energy is committed to creating value for investors by focusing on a safe and profitable core fuels business. We aim to extract value from our current asset base by delivering outstanding customer experiences, while positioning ourselves for future industry disruption.

Z aims to be an attractive long-term investment by providing high-quality, reliable returns to our investors by:

### Optimising our market-leading position

- Z's unrivalled supply chain infrastructure provides competitive advantage through scale and reach
- Z is one of New Zealand's most recognised and trusted brands capable of extending to adjacent markets
- Z's scale provides options that allow us to adapt and innovate in a market that will be slowly disrupted by long-term trends

### Pursuing a differentiated strategy that generates long-term customer loyalty

- Focus on Z's capabilities in customer experience, productivity, innovation, digitisation and brand
- Deliver distinctive customer experiences that drive loyalty
- Reduce time to market and lower investment risk through human centred design, innovation and experimentation

### Delivering earnings growth in a changing industry

- Continue to deliver moderate earnings growth by operating a more efficient and productive core business
- Invest in the core business with rigour; only invest when discounted paybacks are less than five years
- Experiment in three adjacencies for alternative or replacement revenue streams — future fuels, mobility and the 'last mile'

### Allocating capital with discipline to maximise shareholder value

- Manage cashflows and capital to deliver a sustainable dividend in line with earnings growth
- Limit capital employed in our core business to \$2 billion by selling the least productive assets to fund growth
- Maintain a strong balance sheet with the capacity to leverage debt to fund non-organic investments

### Remaining a people and values-based company

- Committed to our purpose 'to solve what matters for a moving world' and our ambition to be 'a world class Kiwi company'
- Maintain high levels of employee engagement and customer satisfaction
- Develop organisational capabilities and individual talent for an uncertain future

### Doing good in Aotearoa New Zealand by recognising our heritage and being committed to future generations

- Contribute to a sustainable future at a scale that few other companies can by supporting the transition to a lower carbon future
- Provide thought leadership where we have a track record, especially in areas like HSSE, Diversity and Inclusion, and customer experience
- Actively support the communities in which we operate on what really matters to them

### **Open Meeting**

<b>To</b>	Audit & Risk committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	25 November 2019
<b>Prepared by</b>	Jim Ebenhoh Planning and Policy Manager
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2401351
<b>Report Title</b>	Climate Change Response

## **I. EXECUTIVE SUMMARY**

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Since the September meeting of this Committee, staff have conducted a stocktake of actions already taken or being taken in response to climate change – either mitigation or adaptation. A corporate emissions stocktake has also been commissioned and it is expected by the end of this year; it will supplement a forthcoming emissions stocktake for the entire Waikato District being coordinated by the Waikato Regional Council and expected in early 2020.

Following the recent local government election, the Mayor has tasked the Deputy Mayor with leading the Council's climate change response programme. The Deputy Mayor is in the process of working with his colleagues to build a team of elected members who will work with Council staff to develop a recommended climate change strategy.

A report is being prepared for the February Strategy & Finance Committee meeting which will present the results of the emissions stocktake (corporate, District if available, and region wide), the stocktake of Council actions to date (mitigation and adaptation), a summary of the national and international frameworks and legislation, a summary of New Zealand local governments' responses to date, and a set of options for how the Council positions itself in relation to this issue (leader, fast follower, etc.). The chosen option will guide the development of a climate change strategy.

## **2. RECOMMENDATION**

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**THAT the report from the General Manager Community Growth be received.**

## **3. ATTACHMENTS**

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NIL

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	21 November 2019
<b>Prepared by</b>	Madelina Baena-Escamilla Continuous Improvement Analyst
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2400937
<b>Report Title</b>	Update on Process Audit and Quality Improvement

## **I. EXECUTIVE SUMMARY**

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This report outlines the work planned and undertaken in the past three months to support quality improvement throughout the business. It covers the process audit programme, policy review, and business process improvement.

## **2. DISCUSSION**

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### **2.1. Process Audit Programme**

#### **2.1.1. Animal Control Processes (Internal Audit triggered by incident with Dog Registration)**

Three internal audits covering 10 Processes from the Animal Control and Regulatory Administration teams have been completed. Another internal audit covering five processes was undertaken on the 19th of November. The internal auditors are reviewing the findings and writing the Internal audit report.

See [1. Animal Control Process Audit Status 2019@18-11-2019](#) document attached.

The outcome of the three completed audits is 4 major non-conformances and 37 Recommendations. Process owners and experts are responding to the internal audit report and reviews are being undertaken to the related processes.

The detailed description of the four major non-conformances and the actions to be taken by the process owner and expert are in the following table.

**Table I- SUMMARY OF NON-CONFORMANCES**

<b>Name of Process</b>	<b>Category (R) or (N/C)*</b>	<b>Auditor's Findings</b>	<b>Recommendations and Actions to be Taken (Process Owner)</b>
AdHoc Bulk Mail Out (via Word Mail Merge)	N/C1	The Records Team Leader is not consulted with about intended mail outs.	<i>Consultation with the Records Team Leader will be stressed as essential in the revised Promapp process each time this process is used, including the reasons for consultation.</i>
	N/C2	Requests to service desk for raw data is not always done, staff are using their own databases.	<i>See action for R2. Promapp process is required from the appropriate business owner. Records have little control over groups using their own databases. If groups are using their own standalone data source they must still review this data using the same proposed checklist in N/C3. Include in the revised process the requirement that data from standalone data sources must also be reviewed by Records before use. Include detail in the revised process about the risk of using standalone data sources.</i>
	N/C3	Checks of raw data are not thorough.	<i>Amend Promapp process to include more detail about how to check the raw data and what data to exclude. Create a check list template for checking raw data. Include in the revised process the requirement for raw data to be reviewed by Records before use.</i>
	N/C4	Mail merges are not always uploaded into ECM.	<i>Increase awareness and use of the Promapp process so this is seen as an integral part of the process. See actions for R6 on consultation and communication of the revised process.</i>

### **2.1.2. Internal Audit Scheduled (2019 – 2020)**

The process audit programme for 2019/2020 has started with ten audits scheduled to audit 27 business processes. At this date, two internal audits will be completed in the last week of November, another two in early December and the remaining six have been scheduled for January next year. This program covers processes from the following groups: Rates; People & Capability; Community Connections; Strategic property and Consents amongst others.

See 2. Process Audit Programme (2019-2020)@19-11-2019 document attached.

### **2.2. Policy**

The work programme for reviewing internal and external Council policies is progressing.

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

- Strategic Land Acquisition and Disposal Policy
- Library Policy Dress Code Policy

Other policies being created or reviewed are:

- Backflow Prevention Policy
- Dog Control Policy
- Firearms Policy
- Unreasonable Complainant Conduct Policy

### **2.3. Improvement Forum**

Two workshops have taken place in the last month to review and update the Improvement Forum Terms of Reference. As a result of this work, we have created a set of “Guiding Principles”, which summarise the purpose, spirit, and general responsibilities of how the members of the Improvement Forum will be operating from now on. We have defined a list of our commitments as Continuous Improvement (“CI”) Agents that includes the activities that are part of the Continuous Improvement Plan. See 3. Improvement Forum - Guiding Principles document attached.

The Continuous Improvement survey results have been published. A total of 181 staff responded to the survey. Overall we scored 57% as an average across the survey questions; this gives us a baseline score that will be compared against our target of 65% by the end of the next financial year after our CI Plan is rolled out. See 4. Continuous Improvement Survey Results 2019 document attached with the summary of the results

Process mapping training continues to be delivered; in the past three months, ten new starters have been trained on the use of Promapp, process mapping and process improvement as part of their induction.

### **3. RECOMMENDATIONS**

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**THAT the report from the Chief Operating Officer be received.**

### **4. ATTACHMENTS**

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- Animal Control Process Audit Status 2019@18-11-2019
- Process Audit Programme (2019-2020)@19-11-2019
- Improvement Forum - Guiding Principles
- Continuous Improvement Survey Results 2019

Group/Team	Processes	Owners and experts	Other Roles included in the processes	Auditors	Due date	Date of the audit	Internal Auditors Update @18/11/2019	Link to report	Major NC (high)	Minor NC (medium)	Rec (Low)
<b>Customer Support - Animal Control And Regulatory Administration</b>	<ul style="list-style-type: none"> <li>• Dog Registrations - End of Year Annual Re-Registration process</li> <li>• Update System Parameters</li> <li>• Annual Dog Registrations - process renewal</li> <li>• Dogs - Notification of Change of Address within District</li> <li>• Change of dog ownership / and property associations</li> </ul>	<ul style="list-style-type: none"> <li>- Christine Cunningham</li> <li>- Pam Osborne</li> </ul>	<ul style="list-style-type: none"> <li>- Project Accountant</li> <li>- Customer Delivery Officer</li> <li>- CDO- Contact Centre</li> </ul>	<b>Sharlene Jenkins</b> Taljit Singh-Sandhu	31/10/2019	19/11/2019	<i>Internal Audit has been carried out; the internal auditors are writing the internal audit report.</i>		4		37
	<ul style="list-style-type: none"> <li>• Dog Registration - Process online payments for Animal Control</li> <li>• Process a Replacement Tag Request</li> <li>• Animal Control - Create new Receipting session in ECR</li> <li>• Animal Control - Receipt online dog payments in ECR</li> <li>• Animal Control - Close and Bank Session in ECR</li> </ul>	<ul style="list-style-type: none"> <li>- Christine Cunningham</li> <li>- Pam Osborne</li> <li>- Brett Watene</li> </ul>	<ul style="list-style-type: none"> <li>- Customer Delivery Officer</li> <li>- CDO- Contact Centre</li> <li>- Regulatory Administrator</li> <li>- Receipting Officer</li> </ul>	<b>Debbie Dalbeth</b>	31/10/2019	Interviews conducted on 11, 14, 15, 18 October. Report written from 18th to 23rd.	<i>Internal audit has been completed. Process owner and expert have sent the response to the report. Changes will be made to the process in the next couple of months.</i>	<a href="#">Report Animal Control –Audit 2</a>	0	0	20

	<ul style="list-style-type: none"> <li>Deactivate a dog record</li> <li>Dog Registrations - Refund Fees</li> <li>Animal Control - Processing Animal Refunds in ECR</li> <li>Inactive Dogs - Clear Existing Dog Registration Fees</li> </ul>	<ul style="list-style-type: none"> <li>Christine Cunningham</li> <li>Pam Osborne</li> </ul>	<ul style="list-style-type: none"> <li>Customer Delivery Officer</li> <li>Animal Control Team Leader</li> <li>Regulatory Administrator</li> <li>Animal Control Officer</li> </ul>	<b>Alan Kuyper</b> Deryl Penjueli	31/10/2019	14/10/2019	<i>Internal audit has been completed. Process owner and expert have sent the response to the report. Changes will be made to the process in the next couple of months.</i>	<a href="#">Report Animal Control –Audit 3</a>	0	0	11
<b>Operations - Records Information</b>	<ul style="list-style-type: none"> <li>Adhoc Bulk Mail Out (via Word Mail Merge)</li> </ul>	<ul style="list-style-type: none"> <li>Catherine Otto</li> <li>Ellen Prenter</li> </ul>	<ul style="list-style-type: none"> <li>Solutions - Business Analyst</li> <li>Regulatory Administrator</li> <li>Animal Control Officer</li> <li>Customer Delivery Officer</li> <li>Animal Control Team Leader</li> </ul>	<b>Evonne Miller</b> Stacey Solomon	31/10/2019	14/10/2019	<i>Internal audit has been completed. Process owner and expert have sent the response to the report. A general review to the process taking into account the recommendations is undergoing.</i>	<a href="#">Report Mail Out Audit</a>	4	0	6

## Audit Schedule 2019-2020

Group/Team	Processes	Owners and experts	Other Roles included in the processes	Auditors	Date of the audit/ comments
<b>Operations - Rates</b>	<ul style="list-style-type: none"> <li>• Prepare and Strike Annual Rates</li> <li>• Process a Charge Run</li> <li>• Process Rates Annual Recalculation of Direct Debit Payments</li> </ul>	<ul style="list-style-type: none"> <li>- Colin Bailey</li> <li>- Catherine Lapwood</li> </ul>	<ul style="list-style-type: none"> <li>- Rates Administrator</li> <li>- Credit controller</li> <li>- System Analyst</li> <li>- Rates Assistant</li> </ul>	<b>Elijah Tamati</b> Helen Kirby	<b>To be done in early December</b>
<b>Operations - People and Capability</b>	<ul style="list-style-type: none"> <li>• Prepare for and Carry Out Staff Induction</li> <li>• Set Up New User Account</li> <li>• Induct New Staff – Security</li> <li>• Induct New Staff - Vehicles</li> </ul>	Vanessa Jenkins Tharsha Adamstein	<ul style="list-style-type: none"> <li>- People and Capability Advisor</li> <li>- Manager and team leaders</li> <li>- Zero harm Team</li> <li>- Service Desk Analyst</li> <li>- Service Delivery Team Administrator</li> <li>- Facility Management Officer</li> </ul>	<b>Tracey Oakes</b> Sandra van der Westhuizen	<b>To be scheduled in January</b>
<b>Service Delivery – Community connections</b>	<ul style="list-style-type: none"> <li>• Organise an event</li> <li>• Manage Event Application for WDC Reserve or Facility</li> </ul>	Samantha Baker Jordy Wiggins	<ul style="list-style-type: none"> <li>- Communications &amp; Engagement Advisor</li> <li>- Group Personal Assistant</li> </ul>	Mark Shaw	<b>Scheduled for the 9<sup>th</sup> of January 2020</b>
<b>Service Delivery – Strategic Property</b>	<ul style="list-style-type: none"> <li>• Create New, Renew or Vary Lease or Licence</li> <li>• Surrender Lease or License</li> <li>• Evict Lessee or Licence Holder</li> </ul>	Nicolas Wells James Hanright	<ul style="list-style-type: none"> <li>- Customer Delivery Officer</li> <li>- Leasing Officer</li> <li>- Property Officer</li> <li>- Solicitor</li> <li>- Records Team</li> <li>- Assistant Accountant</li> </ul>	Jonathan Ward	<b>Scheduled for the 22<sup>nd</sup> of November</b>
<b>Service Delivery – Contracts &amp; Partnering</b>	<ul style="list-style-type: none"> <li>• Audit Stickered Bags through Refuse Contracts</li> <li>• Ordering of Rubbish Stickers</li> <li>• Daily Process for Handling Rubbish Stickers</li> <li>• Month End Process for Rubbish Sticker Balances</li> </ul>	Phil Ellis Patricia Cronin	<ul style="list-style-type: none"> <li>- Customer Delivery Officer</li> </ul>	Christine Cunningham	<b>To be done in the middle of January</b>
<b>Service Delivery - Community Assets</b>	<ul style="list-style-type: none"> <li>• Complete Parks &amp; Facilities Asbuilt Data Sheets</li> <li>• Enter P&amp;F Asset Data into Asset Finda</li> <li>• Enter P&amp;F Asset Data into SPM</li> </ul>	Robert Ashley Joy Rolton	<ul style="list-style-type: none"> <li>- Community Projects Business Unit</li> <li>- Council Facilities Team</li> <li>- Ecological Planner</li> <li>- Open Spaces Team</li> <li>- Facilities Asset Engineer</li> </ul>	<b>Mark Te Anga</b> Kay Warren	<b>To be done in early December</b>

<b>Community Growth - Economic and Community Development</b>	<ul style="list-style-type: none"> <li>• Process a Development Agreement</li> <li>• Large Scale Development Enquiries</li> </ul>	Annette Brodie	<ul style="list-style-type: none"> <li>- Development Contributions Coordinator</li> <li>- Legal Team</li> <li>- Executive Leadership Team</li> <li>- Contracts &amp; Compliance Administrator</li> <li>- Contracts &amp; Partnering Manager</li> <li>- Records Information Team Leader</li> <li>- Records Information Officer</li> </ul>	Paul Harrison	<b>To be scheduled in January</b>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>• Report a Serious Wrongdoing under the Protected Disclosure Act</li> <li>• Report and Investigate Fraudulent or Suspected Fraudulent Activity</li> </ul>	Tony Whittaker Vanessa Jenkins Alison Diaz	<ul style="list-style-type: none"> <li>- Manager - Team Leader</li> <li>- Chief Executive</li> <li>- Internal Authority (Protected Disclosures)</li> </ul>	<b>Shelley Woollett</b> Terrence Hayes	<b>Scheduled for the 20<sup>th</sup> and 21<sup>st</sup> of November</b>
<b>Customer Support - Consents</b>	<ul style="list-style-type: none"> <li>• Receive, set up and undertake Section 88 Check</li> <li>• Accept Resource Consent Application</li> </ul>	Wade Hill Deborah Scott Jason Wright Sara Abusidou	<ul style="list-style-type: none"> <li>- Customer Delivery Officer</li> <li>- Records Information Officer</li> <li>- Consents Administrator</li> <li>- Consents Planner</li> <li>- Consents Senior Planner</li> <li>- Environmental Health Team Leader</li> <li>- Land development Engineer</li> </ul>	<b>Phyllis Hefang</b> James Hanright	<b>To be scheduled in January</b>
	<ul style="list-style-type: none"> <li>• Ensure iwi engagement in Resource Consents for activities on the surface of the river</li> <li>• First steps to Determining Notification</li> </ul>	AnaMaria d'Aubert Sam Toka Ella Makin Emma Ensor	<ul style="list-style-type: none"> <li>- Consents Intermediate planner</li> <li>- Consents Planner</li> <li>- Consents Senior planner</li> </ul>	Pam Osborne	<b>To be scheduled in January</b>

# Improvement Forum

Guiding Principles 2019

## OUR PURPOSE

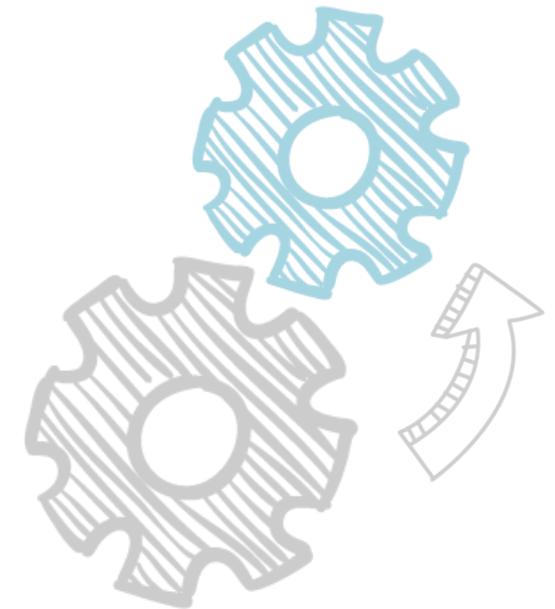
- Coordinate and inform Continuous Improvement (CI) activities and Business Process Management (BPM) in Waikato District Council (WDC)
- Influence and Lead the CI culture within WDC
- Champion, prioritise, and monitor the completion of CI ideas and initiatives
- Report to ELT and WDC the status of CI activities and ideas
- Provide advice to ELT and WDC regarding CI and the decisions that needs to be made
- Analyse reports, identify trends, and provide recommendations in relation to CI

## OUR SUCCESS FACTORS

- CI Maturity (Annual CI Survey)
- # improvement opportunities generated
- % improvement opportunities completed within target
- 100 % of new starters introduced to the WDC BPM & CI framework within 20 working days
- 100% of 'new' process owners complete learning related to WDC BPM within 60 working days
- # of overdue and draft processes are less than 15% of the total WDC business processes

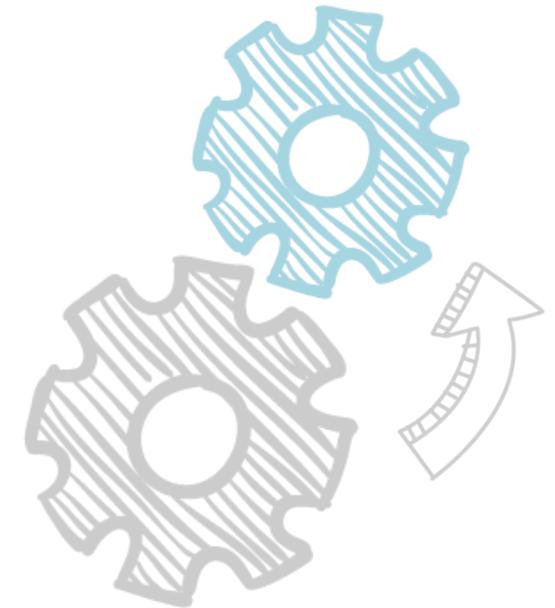
## WHAT WE DO

- Provide support to all WDC staff to help them identify opportunities for CI
- Provide regular communication to WDC staff regarding CI and BPM
- Identify and support key staff around the organisation that show the desire to be involved in CI activities
- Prioritise our time to seek out, lead, and support CI activities
- Provide CI learning, education, and coaching to all staff
- Continually support the upskilling of members of the improvement forum



## OUR COMMITMENTS

- Promote, advocate, & actively encourage CI conversations within our teams/groups
- Share what is happening & provide regular updates of Improvement Forum initiatives and KPI performance
- Provide support & share knowledge of CI tools, practices, & methodologies
- Be visible as an Improvement Forum member, & inspire CI behaviours
- Produce regular communications about CI (e.g. Whiteboard, Blogs, Friday Feedback)
- Gain our Leaders' support & promote the importance of the Improvement Forum
- Raise & champion ideas & suggestions from our teams/groups at the Improvement Forum
- Regularly attend & actively participate in Improvement Forum sessions
- Share stories, experiences & learnings from our teams/groups
- Learn from others in the Improvement Forum
- Ask for help & request support from other CI Agents
- Own the relevant CI KPIs on behalf of our teams/groups



# Continuous Improvement

Survey Results: October 2019

## Why we did the Continuous Improvement Survey



- In order to understand our Continuous Improvement (CI) maturity all Waikato District Council staff were invited to take part in the ‘Continuous Improvement’ survey.
- The feedback from the survey will help validate and inform our ***Continuous Improvement Plan***.
- The survey will also help us to form a baseline and support how we measure our Continuous Improvement initiatives and maturity.
- 181 respondents took part in the survey (49% of the organisation)
- The following slides show the key findings from the survey in terms of:
  - What’s working well (and what we need to continue to build on)
  - What’s not working so well (and what we need to focus on)
  - Some themes that came through when asked for comments or suggestions regarding Continuous Improvement within our Organisation.

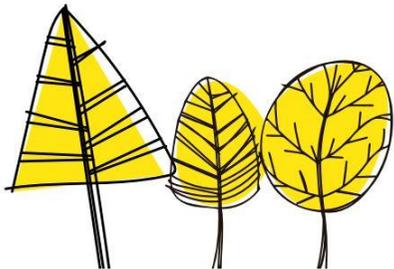
## In terms of what's working well you told us ...

- You are aware of the primary system that is used for managing and improving our processes (Promapp)
- Continuous Improvement initiatives are actively supported by the Executive Leadership Team
- We understand our responsibilities for Continuous Improvement
- Our Organisation promotes Continuous Improvement as an important driver for the business and takes CI seriously
- We feel supported and encouraged to focus on Continuous Improvement activities



## ...but we need to be better in some areas as you told us ...

- You don't regularly interact with your Improvement Forum representative and there is not a clear understanding of the purpose of the Improvement Forum
- Our Organisation does not deal with improvement ideas in a timely manner
- Continuous Improvement could be managed better within our Organisation
- We need to get better at celebrating and communicating Continuous Improvement initiatives and successes

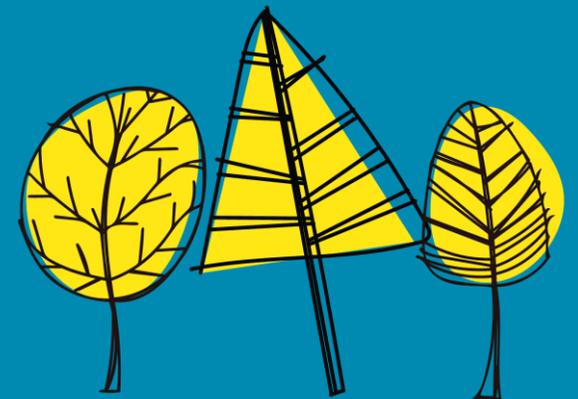




## ...and you gave us some common suggestions on what we could improve or change to elevate our CI Culture, such as...

- Our Organisation needs to get better at implementing improvement ideas.
- The Improvement Forum needs to have better visibility and engagement with staff.
- Freeing up capacity within our business so we can execute and implement ideas, improvements, and suggestions that arise from our people.
- A closer alignment across all levels of our Organisation when it comes to a shared understanding and support to drive CI initiatives
- A change of behaviour so you are comfortable with sharing your ideas and empowered to do CI as part of your “Business As Usual” (BAU)
- And it was great to hear that many of you have already had some exposure to Continuous Improvement methodologies such as Total Quality Management, Lean, Kaizen amongst others. 😊

Thank You



### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	14 November 2019
<b>Prepared by</b>	Stacey Solomon Corporate Planner
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2399703
<b>Report Title</b>	Progress Against Audit Issues – December 2019 Update

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to provide an update on progress against issues raised through the audits. The audits included are:

- Cyber security systems
- Risk management
- Project management
- Procurement and contract management
- Audit New Zealand (Annual Report).

Staff have undertaken a review of audit issues contained in the Audit Issues register.

The green highlighted items in the attachment have been completed since the last report in September 2019.

There are now 3 unresolved issues from a total of 159. We are making progress resolving the remaining audit issues and are on track as per the Combined Audit Recommendations schedule.

## **2. RECOMMENDATION**

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**THAT the report from the General Manager Community Growth be received.**

### 3. SUMMARY OF PROGRESS

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The tables below outline the areas and status of issues – either completed, in progress or pending since the last report in September 2019.

#### Areas of audit issues – December 2019

	Pending	Work in progress	Complete	Total
Audit New Zealand	0	1	34	35
Cyber security		1	33	34
Internal audit	0	0	5	5
Procurement and contract management	0	1	14	15
Risk management	0	0	37	37
Project management	0	0	33	33
<b>Total</b>	<b>0</b>	<b>3</b>	<b>156</b>	<b>159</b>

#### Areas of audit issues – September 2019

	Pending	Work in progress	Complete	Total
Audit New Zealand	0	1	34	35
Cyber security	1	2	30 + 1 ongoing	34
Internal audit	0	0	5	5
Procurement and contract management	0	2	13	15
Risk management	0	0	36 + 1 ongoing	37
Project management	0	0	33	33
<b>Total</b>	<b>1</b>	<b>5</b>	<b>153</b>	<b>159</b>

The “ongoing” issues identified, are those including training and process improvement. Staff consider that we always undertake ongoing business improvement.

Pending issues are those classified as ‘yet to be determined if the recommendation will be actioned’, as the issue may be addressed through other controls. The pending actions have not been the immediate priority, however are now getting some focus.

Of the ‘work in progress’ issues, many of these are scheduled to be completed soon (as per the dates in the schedule) and it is expected further progress will be made by the next Audit & Risk Committee meeting.

#### Contract Management

One ongoing audit issue has been closed in the Contract management area in this reporting period. There is a focus in the contract management space on establishing the position of each individual contract, starting with those sitting in the Community Connections portfolio. This is being done by way of a “health check” – involving updating agreements/contracts,

ensuring that the contracts are current and refer to correct legislation, and that they are performing as they should and deliver what is required by the business.

#### **4. CONCLUSION**

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There are a total of 159 issues that have been raised by various audits across the organisation, 156 of which are now complete.

#### **5. ATTACHMENT**

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Combined Audit Recommendations

## Attachment I: Combined Audit Recommendations

Audit Area	Domain	Recommendation/ Action Required	Date first raised	Proposed Action/Plan - <u>December A&amp;R Committee comment</u>	Who	By When	Status
AuditNZ	Contract management	Develop and implement a contract management system	Jul-16	Working with IM to develop clear requirements for Contract Management System. Along side working with Waipa District Council as they have just gone "live" with the same system. IM have finally got requirements and spec from TechI which will help build the requirements for customisation of the system. This process has taken more time than anticipated due to resources and information not being available. We are aiming to have the system operational by March 2020.	Contracts and Partnering	Dec-19	Work in progress
Cyber Security	Bus Own and Direction for IT	Rec02: Business owners (from Rec01) formalise information security requirements for the assets owned	Dec-15	As per the digital roadmap – this work has recently been started and is now an ongoing project in the business. Master Data steering group and the BI & Data Warehouse steering group have combined to leverage synergies across both projects. The appointed project manager is managing both projects. The Master Data project has a master data entity register in place. Fees and Charges is the first data entity to be worked through with the business. The project will meet with the LTP revenue work stream to ensure all information is understood and duplication of work is avoided. Workshops will be run to understand the Fees and Charges master data management items at a deeper level.	IM	Dec-19	Complete
Cyber Security	IM practices	Rec09: Review and improve monitoring for security incidents, incident response plan, patch management, change control and release management processes	Dec-15	This has been moved from pending to work in progress this quarter. Stock take of Tuakau complete. Stocktake for Ngaruawahia is yet to be undertaken due to recently prioritised project work elsewhere. Anticipated that a stocktake of Ngaruawahia will occur in the first quarter of 2020. All auditing of new equipment linked to laptop rollout is ongoing and captured. All new equipment has been captured through this work.	IM	Oct-19	Work in progress

KPMG review of Procurement and Contract Management	Contract management	Implement a supplier performance measurement framework and strengthen supplier performance monitoring. 1) Develop and implement a performance management framework for measuring and monitoring contractor performance against agreed KPIs. This should form part of the Contract Management Policy.	Dec-16	It was agreed at the September A&R meeting that the Contract and Compliance work programme has been implemented and is addressing this item. This item is now closed.	Contracts and Partnering	Sep-19	Complete
KPMG review of Procurement and Contract Management	Procurement	Develop a procurement strategy and ensure consistency and clarity of procurement guidelines. 1) WDC should consider developing a procurement strategy. The strategy should set out: <ul style="list-style-type: none"> <li>• procurement aims and objectives for the next 3 to 5 years</li> <li>• procurement vision</li> <li>• demonstrates the support by senior management</li> <li>• maps out the major initiatives to be addressed in the forthcoming 3 to 5 years</li> <li>• WDC's public commitment to maintain and improve the day-to-day procurement work within WDC and emphasises a determination to make continual improvements in that work</li> <li>• framework upon which WDC's procurement policy and procedures are based</li> <li>• objectives against which progress can be measured and reported</li> </ul> 2) Review procurement guidelines to ensure there is consistency between procurement policy, the manual and ProMapp process descriptions.	Dec-16	No update this quarter.	Procurement	Sep-19	Work in progress
Cyber Security	Employee and contractor practices	Rec03: Undertake targeted training for employees who handle sensitive information and/or for instances of poor practices.	Dec-15	We have commenced a "security tip" blog on Waisite as a training/awareness tool.	IM	Jun 19	Completed

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Sue O’Gorman General Manager – Customer Support
<b>Date</b>	20 November 2019
<b>Prepared by</b>	Reece Turner Customer Experience Manager
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2402208
<b>Report Title</b>	Privacy Breach Update

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to provide an update to the Audit & Risk Committee on the privacy breach that was identified on Thursday, 22 August 2019 around dog registration data. This report outlines what has occurred over the past 2 months.

## **2. UPDATE**

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Over the past two months, a total of 10 internal audits have been conducted to gain greater insight into what can be implemented to reduce and mitigate future risk within this area of the business.

The mapped financial processes are reasonably simple and the auditees are familiar with the processes. However, they do not cover the full extent of tasks required as the tasks are largely manual and complex. While no non-conformances to these processes were noted, there are a large number of decisions and tasks outside of these processes that impact them. It has recommended that some minor updates and additions to these processes are put in place and the requirement for quality checking at various stages should also be included.

Within the organisational wide Mail Merge process the following 4 non-conformances were identified:

- The Records Team Leader is not consulted with about intended mail outs.
- Requests to service desk for source Property and Regulatory (“P&R”) data are not always made, staff are using their own databases.
- Checks of source data are not thorough.
- Mail merges are not always uploaded into ECM (“Enterprise Content Management”).

As part of the medium term actions, a proposed fee write off report has been put on hold to allow additional time to consider additional strategies to collect outstanding fees.

### 3. ACTIONS

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#### Key medium-term Recovery actions

Task Group	Medium-term actions	Risks identified	Owner (agency/lead person)	Date to be completed	Date completed
Risk & Inn	Audit - business mail merge processes		Madelina Baena-Escamilla	30 October 2019	Complete
Risk & Inn	Audit – end to end dog registration process		Madelina Baena-Escamilla	30 October 2019	Complete
Animal Control	Report requesting the write off of outstanding 18/19 dog registration fees		Sarah Bourke	30 October 2019	On hold
Animal Control	Unregistered dog visits from 19/20		Brett Watene	30 March 2020	Ongoing

#### Key long-term Recovery actions:

Task Group	Long-term actions	Risks identified	Owner (agency/lead person)	Date to be completed	Date completed
Animal Control	Implement solutions to the problems identified in the original project PR-1305		Brett Watene Sarah Bourke	1 March 2020	
Animal Control	Any additional actions highlighted in audit to be implemented prior 20/21 registration year		Brett Watene Sarah Bourke	1 March 2020	
Animal Control	Reduce outstanding dog numbers to >2% for 19/20.		Brett Watene	1 March 2020	

To ensure the long term actions are worked through, owners are in place and business as usual processes are in place to address audit findings.

The next project group update meeting is scheduled for 15 January 2020.

### 4. ATTACHMENTS

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NIL

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	22 November 2019
<b>Prepared by</b>	Alison Diaz Chief Financial Officer
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2402378
<b>Report Title</b>	Insurance Renewal 2019

## **I. EXECUTIVE SUMMARY**

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This report provides an update on the recent insurance renewal and the outcomes from a premium perspective. There has been an increase across many of the products due to both increases in declared values as well as tightening in the insurance market.

The full report from Aon is not yet available and will be distributed under separate cover once the liability programme – General Liability Professional Indemnity, Statutory Liability and Employers Liability – is placed. Existing liability cover has been extended out to 29 November as an interim position.

### **Market Overview**

The current insurance market globally continues to harden, with premiums across all major lines increasing. In addition, emerging risks are making insurers cautious.

There has been an increase in the frequency and severity of Natural Disasters worldwide, 2017 was the worst year on record for Natural Disaster events with 2018 being the fourth costliest. This coupled with a reduction in global capacity has led to further premium increases on Material Damage and Infrastructure premiums.

In respect of liability insurances, the general liability market is relatively stable, the professional indemnity market is becoming more selective based on claims history, and statutory liability premiums are increasing due to Health & Safety at Work Act 2015 defence costs.

Cyber risk continues to be a top three claim with a total of \$14 million lost to cyber-attacks in New Zealand during 2018. At this stage premiums remain relatively flat but are expected to increase.

## **Renewal Outcomes – Major Lines placed to date**

### Material Damage

Council's Total Declared Value ("TDV") for the 2018 period was \$223,518,656. The TDV for 2019 was advised at \$257,614,444, an increase of \$34,095,788 or ~15%. The total premium for the 2018 period was \$272,417 (ex-Fire Service Levies and GST). For the 2019 period the premium is \$323,160 (ex-Fire Service Levies and GST). This represents a 19% increase, however when you take into account the 15% increase in TDV the actual premium increase is ~4%. In the current market this is a good result.

### Infrastructure Insurance

The TDV for the 2018 period was \$369,786,161. For the 2019 period the values were declared as \$433,120,102, a 17% increase. The total premium for 2018 was \$94,472. For the 2019 period this premium has increased to \$146,534, a 55% increase. This increase is reflective of Hamilton City Council's decision to withdraw from the \$10 million of primary layer cover. Premiums would have increased by 15% based on uplift in values alone. The placement that provides cover for the local share that would apply in a natural disaster (40% local: 60% national) has had an underlying increase of 10% due to market conditions and capacity issues, but the primary layer cover has increased by 35% due to capacity reduction by the insurer and the pro-rata effect of Hamilton leaving the placement. Insurance strategy work will review the value of continuing with primary layer cover.

### Motor Vehicle

The Waikato Local Authority Shared Services ("WLASS") Motor policy premiums have increased by approximately 9.5% on a TDV increase of ~ 3%. However with the sale of vehicles to WaterCare Service Limited to continue support of waters services, there was a reduction in the total declared fleet value, of 16.5% with a decrease of ~11% in premium.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

## **3. ATTACHMENTS**

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NIL

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	20 November 2019
<b>Prepared by</b>	Alison Diaz Chief Financial Officer
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2401650
<b>Report Title</b>	Final Management Report for Year Ended 30 June 2019

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to highlight the issues that arose during the year end Annual Report audit. This audit was undertaken by our independent auditors, Audit New Zealand.

Following the final audit, Audit New Zealand produce an Audit Management report which highlights issues that arose during the final audit. This is in addition to the report received following the interim audit work undertaken in April. 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.

At the time of writing this report Audit New Zealand were reviewing management comments, therefore the Management Report for the Year Ended 30 June 2019 attached to this report should be considered as draft until audit confirmation is received.

Eight new issues were raised in the Audit Management Report. These issues have been responded to and will be included in the report, *Update on progress against audit issues*, which is a standing item on the Audit & Risk Committee agenda.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Operating Officer be received.**

## **3. ATTACHMENTS**

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- Report to the Council on the Audit for the Year Ended 30 June 2019

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## Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where Waikato District Council (the District Council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit opinion dated 7 October 2019.

### Matters identified during the audit

We identified specific areas of emphasis for the audit in our Audit Plan dated 19 March 2018.

These related to:

- Property, plant, and equipment

The District Council engaged independent valuers to value infrastructure assets and parks and reserves as at 30 June 2019. We reviewed the valuations to confirm they were soundly based and had been correctly accounted for. We noted a misstatement in the value of roading assets; for further details see sections 2.2 and 3 of this report. We are satisfied that the misstatement does not have an impact on our audit opinion.

Given the materiality of the assets revalued, we also considered whether the source data and inputs into the revaluation were appropriate. As a result of our findings, we recommended that the overhead rate and unit rates applied to the roading valuation be reviewed in detail before the next revaluation, to ensure they remain appropriate. These matters are detailed in section 4.

- Development contributions

We are satisfied the District Council has a reasonable system in place for levying development contributions and these have been charged in accordance with the development contributions policy.

- “Three waters” management

We noted the progress made to establish a contract with Watercare Services Limited and to establish the Waters Governance Board. While this change has minimal impact for the year ended 30 June 2019, it is a significant change in process for next year. During the planning and interim audit visits for the 30 June 2020 audit, we will gain an understanding of the changes in systems and processes to record information for the waters assets and related non-financial performance measures. Where meetings and information are required with/from Watercare staff, we will discuss this with Council and management beforehand so that adequate arrangements can be made to complete our audit work.

We have recommended that management seeks external accounting advice on how the contract should be accounted for in the 2019/20 financial statements. Resolving this early will enable certainty around the reporting requirements prior to the final audit visit.

- The risk of management override of internal controls

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 incorporated an element of unpredictability in our audit testing through random sampling. Our testing found no issues of concern.

During the course of our audit work we also identified some areas where improvements can be made. Our recommendations are summarised in section 1 and detailed in sections 3, 4 and 5 of this report.

### **Thank you**

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



Leon Pieterse  
Appointed Auditor  
22 November 2019

# 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><b>Needs to be addressed <i>urgently</i></b></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><b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b></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><b>Address, <i>generally within six to 12 months</i></b></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
Seek external accounting advice on how the contract with Watercare should be treated in the 2019/20 financial statements.	3	Necessary
Consider the impact of the breach of schedule 10 clause 20(5) of the Local Government Act 2002.	4.1	Necessary
Ensure the correct start date/time is used for building consent applications, when taking into account the vetting periods.	4.2	Necessary
Review the overhead charges from recent contracts to determine if 10% is still an appropriate overhead factor to use in the roading valuation.	4.3.1	Necessary

Recommendation	Reference	Priority
Perform a detailed review of the unit rates applied to the roading valuation.	4.3.2	Necessary
Ensure all expenditure masterfile changes are independently reviewed by someone who does not have write access to the system.	4.4	Necessary
Ensure future annual reports include disclosures about the impact of derivative financial instruments potential movements, if there are significant changes to the OCR after balance date.	4.5	Necessary
Improve processes for monitoring fuel card usage across the District Council.	5.1	Necessary

## 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.

This includes the status of recommendations followed up during our interim audit and reported in our interim report to Council dated 28 May 2019. These matters will be followed up as part of the 2019/20 interim audits.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open – no progress made at time of interim/final audit	-	4	-	4
Partially resolved – progress is being made but not yet fully resolved	1	4	1	6
Implemented or closed – matters that have been resolved	-	7	-	7
<b>Total</b>	<b>1</b>	<b>15</b>	<b>1</b>	<b>17</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 7 October 2019. This means we were satisfied 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.

### 2.2 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.

There were no uncorrected disclosure deficiencies or uncorrected performance reporting misstatements.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Property, plant and equipment	1	11,977,378			
Other comprehensive revenue	1			(11,977,378)	
<b>Total parent</b>		11,977,378		(11,977,378)	
<b>Total group</b>		11,977,378		(11,977,378)	

#### Explanation of uncorrected misstatements

- This relates to the revaluation of roading assets as at 30 June 2019. The valuation was performed by Opus, who updated the March 2018 asset unit rates using the New Zealand Transport Agency (NZTA) cost adjustment factors as at March 2019. The June 2019 NZTA indices were not available at the time the valuation was undertaken. Using the June 2019 indices, the value of the roading assets would increase by \$11,977,378.

Consistent with the prior year, this adjustment was not made due to the June indices not becoming available until late in the annual report process.

### 2.3 Corrected misstatements

We also identified misstatements that were corrected by management. The corrected misstatements are listed in Appendix 2.

### 2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers.

The draft financial and non-financial sections of the annual report and summary annual report were provided at the start of the final audit. The Finance Team provided us with access to their electronic drive where audit related documents were stored, and further documents were uploaded when requested.

The recent changes within the District Council, combined with staff movements, meant we experienced delays obtaining some information from staff. This resulted in additional time being spent to identify the correct staff member to provide the relevant information. We will discuss with management how the annual report and audit process could be improved to the level it was in prior years. We also discussed the type of work we will aim to bring forward in next year's interim audits, in order to decrease the time pressures at the final audit.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 19 March 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Property, plant and equipment</b>	
<p>In line with the accounting policies of the District Council, infrastructure assets, land and buildings are periodically revalued.</p> <p>PBE IPSAS<sup>1</sup> 17 Property, Plant and Equipment requires that valuations be performed with sufficient regularity to ensure the carrying amount does not differ materially from fair value.</p> <p>For those asset classes that were not due to be revalued this year, the District Council needed to perform a fair value assessment to determine if there was any indication that a material difference existed between the asset class carrying amount and the fair value amount. If any material difference was identified, the District Council would need to consider if a revaluation was required or not.</p>	<p>The District Council engaged independent valuers to value roading and bridges, water supply, wastewater, storm water, drainage, solid waste, and parks and reserves assets as at 30 June 2019.</p> <p>Our review of the valuations included a review of the key assumptions and methodology applied. We also obtained confirmations from the valuers that the valuations were in accordance with accounting and valuation standards.</p> <p>We noted an understatement in the value of roading assets (further detailed in section 2.2 of this report). The understatement was included in the Letter of Representation as an unadjusted misstatement. As revaluation movements are assessed against a higher materiality level than other areas of the annual report, this misstatement did not have an impact on our audit opinion.</p> <p>Similar misstatements are likely to occur in future years if the NZTA indices for March continue to be used instead of June. We acknowledge that this is a timing issue, as the June indices are not available at the time of the valuation report being prepared. Auditing standards require us to consider the most up to date information available to assess the validity of accounting estimates such as revaluations. Hence, in future audits, we will continue to assess the change in roading asset values using the June indices.</p>

<sup>1</sup> Public Benefit Entity International Public Sector Accounting Standard

Audit risk/issue	Outcome
	<p>We discussed with management how the matter could be addressed in future years. One option is for the valuer (Opus) to apply forecasted June indices based on trending the previous few quarters' indices. There may still be a variance in asset values when the final June indices are applied, however the variance may be smaller in size.</p> <p>For classes of assets not subject to revaluation (land and buildings), we reviewed the District Council's assessment of whether there was any material difference between the carrying value and fair value of the assets. We are satisfied there was no material difference, and a revaluation was not triggered.</p>
<b>Development contributions</b>	
<p>The Waikato District continues to face significant growth and being located between Auckland and Hamilton has made several towns within the district prime spots for development. Development contributions form a significant part of revenue and funding for capital projects in those areas of significant growth.</p> <p>We reviewed the District Council's controls to ensure development contributions have been charged in accordance with the District Council's development contributions policy. We also considered whether the use and application of funds received was appropriate and had been correctly accounted for.</p>	<p>We tested a sample of development contributions to check that calculations were in accordance with the development contributions policy. No issues of concern were identified.</p> <p>We are satisfied the District Council has an appropriate system in place for levying development contributions and that contributions have been charged in accordance with the development contribution policy.</p>

Audit risk/issue	Outcome
<b>“Three waters” management</b>	
<p>As part of the 2018-28 Long Term Plan, the District Council established a Waters Governance Board. The Board will control all the “three waters” operations and service delivery, but the District Council will retain ownership of the infrastructural assets and continue to provide the corporate support required. Watercare Services Limited (Watercare) will provide management services under an operation and maintenance contract.</p>	<p>The contract with Watercare was signed in August 2019 and became effective on 1 October 2019. There are 29 staff affected who have been offered a role in Watercare (their employment at Council is terminated as at 30 September 2019). While this did not have a material impact in the 2018/19 year, we expect the full impact of the transition will be reflected in the 2019/20 financial statements.</p> <p>During the planning and interim audit visits for the 30 June 20 audit, we will gain an understanding of the changes in systems and processes to record information for the waters assets and non-financial performance measures.</p> <p>Where meetings and information are required with/from Watercare staff, we will discuss this with Council and management beforehand so that adequate arrangements can be made.</p> <p><b>Recommendation</b></p> <p>We recommend that management seek external accounting advice on how the contract should be treated in the 2019/20 financial statements. Resolving this early will enable certainty around the reporting requirements prior to the final audit visit.</p> <p>We also recommend that Council have monitoring and reporting processes in place to get assurance that the expected level of service is met and can be reported in the Annual Report.</p> <p><b>Management comments</b></p> <p><i>External accounting advice will be obtained as recommended.</i></p>

Audit risk/issue	Outcome
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>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 incorporated an element of unpredictability in our audit testing through random sampling. Our testing found no issues of concern.</p> <p>We also assessed whether relevant controls are designed effectively in a way that reduces the risk of override. Overall, we found that relevant controls existed and were designed effectively in most areas. Our testing of internal controls confirmed the controls operated appropriately during the year. Any areas where processes and controls can be improved were detailed in our interim report to Council dated 28 May 2019.</p>

## 4 Other matters



During the audit, we also identified the following matters that we wish to bring to your attention:

### 4.1 2019/20 Rates Funding Impact Statement

As part of the audit, we reviewed the rates setting process for the 2019/20 year. Our audit work focussed on risks to the financial statements and is not a comprehensive check of all aspects of legality. Failure to comply with rating legislation can create risks for the revenue from rates. We are required to obtain reasonable assurance that the District Council is complying with legal requirements that could have an impact on rates revenue.

We noted the District Council's 2019/20 Annual Plan Rates Funding Impact Statement does not include the following disclosure, as required by clause 20(5) of schedule 10 of the Local Government Act 2002:

*If the sources of funding include a general rate or a targeted rate, the funding impact statement must include examples of the impact of the rating proposals in subclauses (3) and (4)<sup>2</sup> on the rates assessed on different categories of rateable land with a range of property values.*

While this matter does not create a significant risk to rates revenue, it is a breach of legislation.

#### **Recommendation**

We recommend the District Council considers the impact of the breach of schedule 10 clause 20(5) of the Local Government Act 2002.

For future Long Term Plans and Annual Plans, the District Council will need to ensure such disclosure requirements of the Local Government Act 2002 are met.

#### **Management comment**

*Ratepayers were provided with the specific rating impacts for their properties, however, not as part of the funding impact statement as is required under schedule 10. The legislative breach is acknowledged and a compliance checklist will be used to guide staff through quality assurance processes. Staff will also provide the Annual Plan document to Audit New Zealand at the interim audit in future to ensure corrective action can be taken if required.*

<sup>2</sup> Subclause (3) covers further requirements for general rates and (4) covers targeted rates.

## 4.2 Vetting times for building consents

As part of our audit, we performed testing for the measure “*the percentage of building consents applications that are processed within 20 working days*”. We focused on determining if the District Council was correctly recording the start and stop times for building consents processed during the year. This would provide assurance that the results for this measure are accurately reported in the annual report.

We tested a sample of 36 building consent applications. Our testing identified several instances where incorrect start dates/times had been used for applications. This was due to human error when backdating time relating to the vetting period (if an application is vetted and assessed as complete, the start time is the time of receipt).

The errors identified did not result in a material misstatement of the year-end results. However, there is a risk that such errors could become material if they continue to be made.

### Recommendation

We recommend management ensures the correct start date/time is used for building consent applications, when taking into account the vetting periods.

### Management comment

*The building quality team were subject to an International Accreditation New Zealand (ICANZ) audit in February 2019 where it was identified that vetting timeframes were not adequately documented. This was issue was resolved onsite with a revised procedure covering timeframes. The item raised by Audit New Zealand relates specifically to data entry errors, one of which incorrectly identified that consent timeframe statistic as being outside the 20 working days. The staff involved have implemented a process to ensure the correct start date/time is used for building consent applications. This process will be monitored by the Team Leader Building Administration.*

## 4.3 Rooding valuation

### 4.3.1 Overhead rate for rooding valuation

As part of our review of the rooding revaluation, we noted a 10% overhead factor was applied to the unit rates used in the valuation. The overhead factor accounts for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location. These additional costs include professional fees, administration costs, and financial charges.

Our discussions with Opus indicated this rate is based on historic contracts. The rate needs to be reviewed as overhead costs may have increased due to regulatory costs such as traffic control, consenting, etc.

Using an incorrect overhead factor could affect the total value of the roading assets as the valuation is largely driven by the unit rates applied to asset quantities.

**Recommendation**

We recommend the District Council performs a review of the overhead charges from recent contracts to determine if 10% is still an appropriate overhead factor to use in the roading valuation. This review would need to be completed before the next annual roading valuation.

**Management comment**

*A review of the overhead charges will be undertaken before the next annual roading valuation as recommended.*

**4.3.2 Unit rates for roading valuation**

We compared a sample of unit rates from the Opus valuation to recent roading construction contracts, to determine if there was consistency with current costs.

The District Council's roading works are performed through the Alliance contract. We noted the data in the monthly claims made by Alliance could not be easily compared to the unit rates applied in the valuation.

While we are satisfied that Opus has the relevant expertise to perform the roading valuation, the onus rests with the Council and management to ensure they are satisfied that unit rates used in the valuation are accurate.

**Recommendation**

We recommend the District Council performs a detailed review of the unit rates applied to the roading valuation. This review would need to be completed before the next annual roading valuation, so that any updated unit rates are factored into the next valuation.

**Management comment**

*A review of the unit rates will be undertaken before the next annual roading valuation as recommended.*

**4.4 Masterfile changes**

Our review of expenditure masterfile changes noted that the staff member reviewing the masterfile changes also has write-access to the system. This creates a segregation of duties risk. We raised this issue with the reviewer who advised that any changes made by them are reviewed by the CFO. We obtained a report of all masterfile changes and sample tested some changes made by the staff member concerned. Our testing highlighted that these were not subsequently reviewed by the CFO, noting that our samples were for minor changes. We were then advised that all bank account changes were reviewed by the CFO

and selected one to check. Unfortunately the supporting information for that change could not be located so we are unable to confirm an independent review was undertaken. We did not identify instances where the person making the change also signed off as reviewed.

#### **Recommendation**

We recommend all expenditure masterfile changes are independently reviewed by someone who does not have write access to the system.

#### **Management comment**

*All accounts payable masterfile changes generate an electronic audit report daily. This report is distributed to the CFO, Finance Manager and the Accounts Team Leader. The system generated report captures all changes; from activating and deactivating accounts, addition of email addresses, bank account changes etc.*

*The Accounts Team Leader has had re-write access while we work to fill vacancies in the team. 15 transactions were added and self-approved during the financial year. 14 of these items were not triggered by the supplier and relate to updates such as adding a contact email etc. these items are reviewed for reasonableness/risk upon receipt of the electronic audit report only. One item which related to a name change was noted by the CFO but the siting of paperwork was not followed up in a timely manner. The CFO has subsequently contacted the supplier directly to understand the change which related to the purchase of a business and subsequent name change without change to bank account details. The documentation was provided to Audit New Zealand during the final audit. Independent reviews are in place.*

### **4.5 Financial instruments disclosures**

As disclosed in Note 8 to the financial statements, the District Council recorded losses of \$8.4 million during the 2018/19 financial year on derivative interest rate swaps as a result of a decline in market interest rates. The decline in interest rates is linked to the Official Cash Rate (OCR). The OCR decreased from 1.75% at 30 June 2018 to 1.5% at 30 June 2019.

In August 2019, the OCR further decreased to 1% which would result in a further increase in the derivative financial instruments liability at that date. As this could result in a material movement, further narrative to the accounts to inform the reader of potential future losses should be included. This is because the information is based on the most up-to-date information available prior to adopting the annual report.

#### **Recommendation**

We recommend future annual reports include disclosures about derivative financial instruments' potential movements, if there are significant changes to the OCR after balance date.

**Management comment**

*The Annual Report disclosures identify the effects of a basis point differential of 100 basis points (1%). The OCR decreased by 0.5% between balance date and the date the Annual Report was adopted. This change is therefore captured within the sensitivity analysis disclosure.*

## 5 Public sector audit



The District Council is accountable to the Waikato District 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.

We noted one matter that we would like to bring to your attention:

### 5.1 Monitoring of fuel card expenditure

As part of the audit, we gained an understanding of the processes in place to monitor fuel card expenditure. The District Council has 92 fuel cards, which are allocated to Council fleet vehicles. A third party, Fleetsmart, is contracted to manage the District Council's fleet assets and provide reporting on fuel card spending.

Fleetsmart performs a review of card usage and a secondary review takes place at the District Council. The District Council's sensitive expenditure policy specifies what fuel cards can and cannot be used for. However, policies should also reflect the processes for monitoring fuel card expenditure.

With recent staff changes within the District Council, it is also important that staff are made aware of the expectations around fuel card usage.

**Recommendation**

We recommend management improves processes for monitoring fuel card usage. The District Council's policies should record the process for monitoring fuel card expenditure and with whom this responsibility lies. New and existing staff would need to be made aware of any change in processes or requirements.

**Management comments**

*A third party entity, Fleetsmart, manages Council's fleet assets including fuel usage reporting etc. Staff review is secondary to that work and needs improvement.*

*Staff will work with Fleetsmart to improve the reporting provided and will also amend policy wording and reference points within existing vehicle use related processes. This work has commenced.*

## 6 Group audit



The Group comprises:

- Waikato District Council;
- Strada Corporation Limited; and
- Waikato District Community Wellbeing Trust.

We have not identified any of the following during our audit for the year ended 30 June 2019:

- 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.

## 7 Useful publications



Based on our knowledge of the District Council, we have included links to some publications that the Council and management may find useful.

Description	Where to find it
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a toolbox called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On the OAG's website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Matters arising from the 2017/18 audits</b>	
<p>The OAG has published a report on the results of the 2017/18 audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Links: <a href="#">local government</a></p>
<b>Good practice</b>	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>

Description	Where to find it
<b>Post-implementation reviews</b>	
<p>The OAG has recently completed a review of Auckland Council's post-implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post-implementation review checklist.</p> <p>The District Council may find this useful for performing post-implementation reviews of significant projects across the organisation.</p>	<p>On the OAG's website under publications.</p> <p>Link: <a href="#">Post-implementation review process</a></p>
<b>Reporting fraud</b>	
<p>The OAG has released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG's website under data.</p> <p>Link: <a href="#">Reporting Fraud</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations (following our final audit)

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Review of leases</b>		
<p>We recommended the District Council reviews and updates its listing of leases. This should include incorporating changes to existing leases, and adding in new leases signed during the year.</p>	<p>2017/18</p>	<p><b>Open</b></p> <p>The initial list of operating lease commitments was not updated from the prior year. Considerable effort and several discussions took place to subsequently obtain a list of leases suitable for audit purposes.</p> <p><b>Management comment</b></p> <p><i>The lease commitments will be updated as a priority 2019/20 action.</i></p>

**Open recommendations following our interim audit (will be followed up again as part of the 2019/20 interim audit)**

Recommendation	First raised	Status
<b>Urgent</b>		
<b>Contract management</b>		
<p>We recommended the District Council:</p> <ul style="list-style-type: none"> <li>• develop and implement a fully functional contract management system;</li> <li>• update the policy and guidance documents covering contract management activities;</li> <li>• have a dedicated individual or team in place with responsibility for oversight of contract management activities; and</li> <li>• put in place a centralised contract management system, which captures all contract information.</li> </ul>	2015/16	<p><b>In progress</b></p> <p>The District Council is in the process of implementing the contracts management module of TechOne.</p> <p>There is no standalone contract management policy as the District Council want to incorporate this into the Procurement manual. The Procurement manual and framework are currently being updated to be consistent with the Regional Procurement Framework released by LASS.</p> <p>We understand there are also some changes in the procurement and contract management space with the establishment of the Contracts and Partnering team this year.</p>
<b>Necessary</b>		
<b>Regular reviews of network users are not being performed</b>		
<p>We recommended 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><b>Open</b></p> <p>Will be followed up as part of the 2019/20 interim audit.</p> <p><b>Management comment</b></p> <p><i>The practice of regularly checking for users who have not logged in to the network for over 60 days will be restarted, with a monthly check added to other user management checks.</i></p>

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Expenditure – segregation of duties</b>		
<p>We recommended that individuals who raise and authorise purchase orders 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.</p>	2013/14	<p><b>In progress</b></p> <p>The Electronic Purchase Order system was implemented in 2017-18. We noted that users with delegations of \$10,000 and \$25,000 could still self-approve their own purchase orders up to their limit. Users with higher limits require one-up approval.</p> <p>This has been included as part of the wider procurement improvements programme.</p>
<b>Service performance reporting - Customer Relationship Management (CRM) system</b>		
<p>We recommended the District Council ensures additional supporting documentation is used by staff such as 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.</p>	2013/14	<p><b>In progress</b></p> <p>The District Council are currently trialling electronic work orders through Water Outlook, allowing real-time updates of the status of jobs (and easier tracking of response and resolution timeframes). As at April 2019, this is only being used for pump station maintenance (and not for call-outs). There may be further changes in this area once Watercare Services Limited takes over the management of the three waters activities in the coming years.</p>
<b>Review network administrators accounts and network directory organisational units</b>		
<p>We recommended a review of the Domain administrator network accounts be done and any redundant accounts removed. 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. Redundant accounts should be removed.</p>	2017/18	<p><b>In progress</b></p> <p>Some progress has been made. Domain admin accounts have been updated with staff leaving, but at the time of our visit, there are still three generic domain admin accounts and no reporting on who used those accounts.</p> <p><b>Management comment</b></p> <p><i>The use of the three domain accounts is currently being reviewed and stricter controls are being established.</i></p>

Recommendation	First raised	Status
<b>Necessary</b>		
<b>All devices have virus definition updates and patches applied</b>		
<p>We recommended the District Council ensures all devices have virus definition updates and patches applied.</p> <p>We also noted there is no detailed IT asset register to confirm the number of devices owned by the District Council.</p>	2013/14	<p><b>In progress</b></p> <p>Formalised processes for Anti-Virus updating and Patching are still being developed.</p> <p><b>Management comment</b></p> <p><i>A full stock take of PCs is currently underway. Following this, a structured programme of patching and maintenance of anti-virus will be delivered.</i></p>
<b>Business continuity and IT Disaster Recovery planning</b>		
<p>We recommended the District Council develops and tests 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.</p>	2011/12	<p><b>Open</b></p> <p>There have been no formal tests of organisational business continuity, but the District Council's IT division has tested that their data replication to the disaster recovery site at Tuakau is working.</p> <p><b>Management comment</b></p> <p><i>A project to deliver an integrated business continuity framework and schedule for business continuity planning will be commenced in Aug 2019 to be completed June 2020.</i></p>
<b>IT change management</b>		
<p>We recommended change management procedures are implemented and all changes are logged and approved before they are made to live systems.</p>	2014/15	<p><b>Open</b></p> <p>The Change management system is used for recording software changes and we noted that users are involved in testing software upgrades. Not all infrastructure changes appear to be recorded, and there is no consistent approval step followed in the IT change process. There is no process for approving emergency changes.</p>

Recommendation	First raised	Status
<b>Beneficial</b>		
<b>Develop availability and capacity reporting on IT Infrastructure and systems</b>		
We recommended the dashboard reporting, as well as including matters currently being reported, also include reporting on the availability and capacity of IT infrastructure and systems.	2017/18	<p><b>In progress</b></p> <p>Dashboard reporting is being developed by the CIO, including reporting on availability of systems.</p> <p><b>Management comment</b></p> <p><i>The first dashboard is being produced for May 2019 and will be published on a monthly schedule.</i></p>

### Implemented or closed recommendations (following our final audit)

Recommendation	First raised	Status
<b>Review of Chief Executive's expenditure</b>		
In all instances of sensitive expenditure, we recommend that adequate one-up approval is obtained before the expenditure is incurred. Evidence of such approval should be adequately recorded.	2017/18	<p><b>Closed</b></p> <p>We tested a sample of expenses relating to the Chief Executive and noted evidence of one-up approval for all our samples. Based on this, we have noted the matter as closed.</p>
<b>Service performance reporting – Classification of jobs in the Customer Relationship Management (CRM) system</b>		
We recommended that staff review the classification of all waters call-outs/jobs before year-end to ensure that they are correctly classified in the CRM system. The resolution times recorded should also be reviewed to ensure accuracy.	2018/19	<p><b>Closed</b></p> <p>We noted that 25% of all water service requests logged in the 2018/19 year were audited. Any service requests that were found to be incorrectly categorised were further investigated.</p>

### Implemented or closed recommendations (following our interim audit)

Recommendation	First raised	Status
<b>Information systems policies</b>		
We recommended the District Council review and update IS policies to meet current acceptable practices.	2015/16	<p><b>Closed</b></p> <p>IS policies are being reviewed and updated on a regular basis.</p>
<b>Changes to staff salary as a result of secondment</b>		
We recommended a review of the process for salary reviews in relation to acting/secondment roles to ensure salaries are paid accurately.	2017/18	<p><b>Closed</b></p> <p>We noted management have put mitigating controls in place to stop such instances from re-occurring. We did not note any further instances of salary inaccuracies from our sample of masterfile changes tested this year.</p> <p>On this basis, we have noted this matter as closed.</p>
<b>Compliance with the Local Authorities (Members' Interests) Act 1968</b>		
<p>We recommended that Council Committees be reminded of their obligations under the Local Authorities (Members' Interests) Act 1968.</p> <p>Consideration should also be given to how the procurement improvements being made, as a result of the recent external reviews, can flow through to procurement discussions happening at the Council Committee level.</p>	2017/18	<p><b>Closed</b></p> <p>A presentation was provided to the Joint Community Board/Committee meeting held on 24 October 2018 providing details of members' obligations under the Local Authorities (Members' Interests) Act 1968. This presentation was also sent to all members who were not present at the meeting.</p> <p>Staff will consider how improvements can be implemented into the procurement processes such as including basic procurement processes in the elected members' induction. On this basis, we have noted this matter as closed.</p>

Recommendation	First raised	Status
<b>IT are not always advised promptly when staff leave</b>		
<p>We recommended that HR advises IT of all leavers promptly so that IT can either set a future end date or disable the staff member's access the day after their employment ceases with the District Council.</p>	2017/18	<p><b>Closed</b></p> <p>IT established a process where HR provide reports to IT of starters and leavers for the month so a crosscheck is performed to catch any leavers that may have been missed.</p> <p>Our testing this year confirmed that service desk are now being advised of all staff leaving.</p>
<b>IT Governance and Project Management</b>		
<p>We recommended that IT governance and project management frameworks be established to prioritise and monitor IT and IM projects and programmes.</p> <p>Programmes and projects should be tracked to ensure that appropriate investment decisions are being made.</p>	2017/18	<p><b>Closed</b></p> <p>A council wide portfolio and project management framework is now in place, and a Portfolio Governance Group established to monitor projects.</p>

## Appendix 2: Corrected misstatements

Please note that the tables include all items changes since the first draft financial statements. This include areas that were incomplete at the start of our final audit and adjustments were therefore subsequently made during the annual report and audit process.

Current year misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Investment in Waikato Regional Airport Limited	1	1,910,000			
Other Comprehensive Revenue				(1,910,000)	
Gain on disposal of property, plant and equipment	2				2,387,000
Loss on disposal of property, plant and equipment					(2,387,000)
Recoverables and receivables	3	187,000			
Payables, taxes and transfers				(187,000)	
<b>Total parent</b>					
<b>Total group</b>		<b>2,097,000</b>	<b>(187,000)</b>	<b>(1,910,000)</b>	<b>0</b>

### Explanation of corrected misstatements

- 1 To account for the change in investment in Waikato Regional Airport Limited (WRAL annual report was not yet available at the start of our audit).
- 2 To correct the overstatements of gain and loss on disposal of property, plant and equipment.
- 3 Several changes were required in Trade Receivables and Payables (net effect being \$187,000) to correctly account for overpayments and revenue received in advance.

## Corrected disclosure deficiencies

Detail of disclosure deficiency
Group figures added to financial statements and notes.
<b>Statement of Comprehensive Revenue and Expenses</b> Budget figures corrected for Employee costs, and depreciation and amortisation expense.
Errors in Statement of Cash Flows corrected.
<b>Statement of reserve funds</b> Movements for revaluation reserve corrected.
<b>Statement of accounting policies</b> Basis of preparation – disclosure for Strada Corporation Limited updated. “Standards issued and not yet effective and not early adopted” disclosures updated.
<b>Note 3: Finance revenue and costs</b> Split between finance revenue and costs corrected (overall totals remain unchanged).
<b>Note 5 Exchange and non-exchange revenue</b> Other exchange revenue figure corrected, to reflect change in Note 4.
<b>Note 8: Other expenses and losses</b> Audit fees amounts and narrative disclosures updated.
<b>Note 14: Property, plant and equipment</b> Depreciation rate for parks and reserves corrected to reflect latest valuation. Infrastructure assets – “further disclosures” section completed with figures. Correcting the movements disclosed for “work in progress”. Correcting typographical errors in the figures for library books, wastewater and bridges/culverts/pipes. Operational and restricted buildings – narrative disclosures for carrying values of buildings updated. Minor corrections around the names of valuers disclosed.
<b>Note 19: Borrowings</b> Narrative disclosure for fair value of non-current borrowings corrected. Internal loans disclosure – opening balance for “Sustainable Communities” corrected.
<b>Note 21: Derivative Financial Instruments</b> Notional principal amounts for active and forward starting swaps corrected.
<b>Note 25: Capital commitments and operating leases</b> Figures for “capital commitments” and “operating leases as lessee” added. Figures for “operating leases as lessor” corrected.

Detail of disclosure deficiency
<p><b>Note 26: Contingencies</b></p> <p>Several disclosures updated to reflect contingent liabilities for the year.</p>
<p><b>Note 27: Related party transactions</b></p> <p>Related party transaction disclosures completed for Waikato Local Authority Shared Services Limited, Waikato Regional Airport Limited, and between Strada Corporation Limited and Waikato Quarries Limited.</p>
<p><b>Note 28: Remuneration</b></p> <p>Changes to some Community Board Members' remuneration made.</p> <p>Chief Executive's remuneration corrected.</p>
<p><b>Note 29: Severance payments</b></p> <p>Total number and amounts of severance payments corrected.</p>
<p><b>Note 30: Events after balance date</b></p> <p>Disclosure added for signing of contract with Watercare (as requested by Audit New Zealand).</p>
<p><b>Note 31: Financial Instruments</b></p> <p>Various figures updated/corrected to reflect corresponding figures from the financial statements.</p>
<p><b>Note 33: Explanation of major variances against budget</b></p> <p>Note updated with variance explanations.</p>
<p><b>Note 34: Insurance of assets</b></p> <p>Note updated with current declared value and policy limits.</p>
<p><b>Annual Report disclosure statement</b></p> <p>Wording updated for rates (income) affordability, rates (increase) affordability, and debt affordability benchmarks.</p>

## Corrected performance reporting misstatements

Detail of misstatement
Measure and results were missing from first draft: “the extent to which Council’s drinking water supply complies with Part 4 of the drinking water standards (bacteria compliance criteria)” for plants.
Reported results corrected for measure “the change from the previous financial year in the number of fatal and serious injury crashes on the local road network”.
Reported results corrected for measure “the number of dry weather sewage overflows from Council’s system expressed per 1000 sewage connections to that sewage system”.
Results added for measure “Council’s level of Compliance with resource consents for discharge from its storm water system, measured by the number of abatement notices, infringement notices, enforcement orders and convictions”.
Reported results corrected for measure “Council’s level of Compliance with resource consents for discharge from its wastewater system, measured by the number of abatement notices, infringement notices, enforcement orders and convictions”.
<p>Several smaller changes were required throughout the statement of service provision:</p> <ul style="list-style-type: none"> <li>• correction of some prior year results disclosed – to ensure consistency with the 2017/18 annual report, or note where measures were not in place last year;</li> <li>• correction of some measures and targets - to ensure consistency with the 2018-28 LTP;</li> <li>• updates to some commentary across the section – to elaborate on results or provide clarification on the District Councils performance.</li> <li>• Pie charts added for operational and capital funding for each group of activity<sup>3</sup>.</li> </ul>

<sup>3</sup> Note that this was not a misstatement. The pie charts were missing from the first draft and added to a subsequent version of the annual report.

## Appendix 3: 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 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit, we have performed a limited assurance engagement related to the District Council's debenture trust deed and performed a review of selected procurements, probity review and ad-hoc support, 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 \$160,000 (excluding disbursements and GST), as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$36,170 for review of the debenture trust deed reporting certificate, review of selected procurements, probity review and ad hoc support.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the 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>

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### ***Open Meeting***

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	25 November 2019
<b>Prepared by</b>	Sharlene Jenkins Executive Assistant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2403442
<b>Report Title</b>	Updated Future Work Plan and Action List

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to present an updated Future Work Plan and Action List for the Audit & Risk Committee's information.

## **2. RECOMMENDATION**

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**THAT** the report from the Chief Operating Officer be received.

## **3. ATTACHMENTS**

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- Updated Future Work Plan
- Action List

	02 December 2019	March 2020 <small>TBC</small>	September 2019 <small>TBC</small>	June 2020 <small>TBC</small>	Standing items for all meetings
<b>Risk</b>	<b>Waikato District Council Health &amp; Safety Framework Review</b> H&S Management framework	<b>Review of Council Controlled Organisations Statements of Intent</b> <b>Risk Appetite Review</b>		<b>Annual Report Risk Assessment</b> Annual Report Programme Compliance <b>Risk Management Framework Review</b>	<ul style="list-style-type: none"> <li>▪ <b>Strategic Risk Register</b> Update on key strategic risks &amp; associated management actions.</li> <li>▪ <b>Risk Framework</b> Update on direction risk framework &amp; organizational engagement.</li> <li>▪ <b>Emerging Risks</b> Opportunity to discuss emerging risks with potential for strategic impact.</li> <li>▪ <b>Risk Conversations</b> Opportunity for Committee to dialogue with key staff to obtain assurance that appropriate controls and culture are in place.</li> <li>▪ <b>Strategic Risk Deep Dive</b> Detailed inspection of a key risk for the purpose of assurance in the context, assessment &amp; mitigation space.</li> <li>▪ <b>Zero Harm Update</b> H&amp;S update on H&amp;S performance against agreed targets, systemic issues identified which can be fed into the risk control framework. To include monthly statistics.</li> <li>▪ <b>Update on Process Audit and Quality Improvement</b> Rolling review of bylaw &amp; policies – schedule to be agreed.</li> <li>▪ <b>Post Implementation Reviews and/or Incident Debrief Reports</b> Post project appraisals on key investments.</li> <li>▪ <b>Update on Progress against Audit Issues</b> Update on progress against Audit management report.</li> <li>▪ <b>Procurement Update</b> Update on procurement and contract management.</li> </ul>
<b>Internal Audit</b>			<b>Spend Analysis Update</b>	<b>Procurement and Contract Management Framework Review</b>	
<b>Insurance</b>	<b>Insurance Policy / Premium Confirmation</b> <b>Insurance Risk Strategy</b>		<b>Insurance Renewal Process Update</b> Insurance review		
<b>Annual Report</b>	<b>Final Management Report</b> Audit Management Report	<b>Annual Report Project Planning</b> Annual Report Programme	<b>Annual Report</b>		
<b>Other</b>			<b>Audit &amp; Risk Committee Key Achievements</b> Review of Audit & Risk Committee performance against Terms of Reference <b>Zero Harm Site Visit</b>	<b>Zero Harm Site Visit</b>	

**Strategic Risks**

- |   |  |  |  |
|---|--|--|--|
| <ul style="list-style-type: none"> <li>▪ Council Partnerships ✓</li> <li>▪ Zero Harm ✓</li> <li>▪ Asset Management</li> </ul> | <ul style="list-style-type: none"> <li>▪ Waters Social Franchise Model ✓</li> <li>▪ Stakeholder Engagement ✓</li> <li>▪ Economic and Social Development</li> </ul> | <ul style="list-style-type: none"> <li>▪ People and Culture ✓</li> <li>▪ Regional / National Strategic Planning ✓</li> <li>▪ Projects and Initiatives</li> </ul> | <ul style="list-style-type: none"> <li>▪ Compliance Management</li> <li>▪ Business Resilience ✓</li> <li>▪ Cyber Security</li> </ul> |
|---|--|--|--|

**Audit & Risk Committee: Action List**

#	Action	Owner	Date Assigned	Date Due	Status
1.	Member Training and Development	Mayor	December 2018	March 2020	A training and development plan required for relevant Councillors. To be included in 2019/20 Councillor Induction Programme. The recent KPMG Health & Safety Governance Review has also recommended governance training in this area.
2.	<u>Strategic Risk Register</u> To continue the discussion as part of the overall stakeholder engagement workshop following the local authority elections, and to review examples of best practice from other Councils	Communications, Marketing & Engagement Manager	September 2019		In progress. Council is in the process of developing a Communication & Engagement Strategy. The Mayoral Forum are also preparing a work programme which may address engagement issues such as voter turnout.
3.	<u>Strategic Risk Register</u> The Risk Advisor to discuss Water Services risks with the Executive Leadership Team	Risk Advisor	September 2019		Completed. Waters Services Strategic Risk included in the <i>Strategic Risk Register December 2019</i> report.
4.	<u>Risk Framework</u> Include recommendation report in December agenda	Risk Advisor	September 2019	December 2019	Completed. Included in <i>Risk Framework December 2019</i> report.
5.	<u>Emerging Risks</u> Provide a report to the December meeting on exploring the new integrated reporting style that included the six capitals	Chief Financial Officer	September 2019	December 2019	Completed. <i>Integrated Reporting Framework</i> report included in December agenda.

#	Action	Owner	Date Assigned	Date Due	Status
6.	<p><u>Emerging Risks</u></p> <p>Draft Climate Change Strategy that is tightly scoped, has wide stakeholder engagement to address actions, and legislation e.g. Zero Carbon. Report on Council's response to Climate Change and timelines to December meeting.</p>	Chief Operating Officer	September 2019	December 2019	<p>This work has commenced and is being co-designed with Councillor input. The Mayor has tasked the Deputy Mayor with leading the Council's climate change response programme, from a governance perspective.</p> <p>A report is being prepared for the February Strategy &amp; Finance Committee meeting which will present the results of the emissions stocktake (corporate, District if available, and region wide), the stocktake of Council actions to date (mitigation and adaptation), a summary of the national and international frameworks and legislation, a summary of New Zealand local governments' responses to date, and a set of options for how the Council positions itself in relation to this issue (leader, fast follower, etc.). The chosen option will guide the development of a climate change strategy.</p>
7.	<p><u>Funding Partnerships – Deep Dive Report</u></p> <p>Provide a Funding Partnerships report to the Policy &amp; Regulatory Committee (or other appropriate Committee)</p>	Funding & Partnership Manager	September 2019	After local authority elections	Completed. <i>Funding &amp; Partnerships Update – Work Programme</i> report is included in the Strategy & Finance Committee December agenda.
8.	<p><u>Waikato District Council Zero Harm Safety Management System</u></p> <p>Include Controls and desired outcomes to ensure volunteer worker behaviours on sites comply with the Council's health &amp; safety standards.</p>	Zero Harm	September 2019	December 2019	Completed. The process supports induction and monitoring of work sites.
9.	<p><u>Update on Process Audit and Quality Improvement</u></p> <p>Highlight information reflecting significant non-conformance in future reports</p>	Continuous Improvement Analyst	September 2019	Ongoing	Completed. A table summarising non-conformances has been included in the <i>Update on Process Audit and Quality Improvement December 2019</i> report, and will be included in all reporting going forward.
10.	<p><u>Dog Registration Reminder Notice Incident</u></p> <p>Report back on progress against actions to the December meeting.</p>	Customer Experience Manager	September 2019	December 2019	Completed. Progress key medium and long-term recovery actions are included in <i>Privacy Breach Update</i> report.

#	Action	Owner	Date Assigned	Date Due	Status
11.	<u>Insurance Renewal Process 2019</u> Insurance Risk Strategy report to be presented to the December meeting	Chief Financial Officer	September 2019	December 2019	Insurance Risk Strategy Update report included in December agenda. Aon New Zealand Limited will be supporting council in its development of an insurable risk strategy starting with a review of current insurable risk exposures. Initial work is anticipated to commence at the end of 2019 and continue into the first quarter of 2020.
12.	<u>Draft 2018/19 Annual Report</u> The Executive Leadership Team to review the significant out-performance (value for money/over delivering).	Chief Operating Officer	September 2019		This level of service conversation will be had through the Long Term Plan process.
13.	<u>New Zealand Transport Agency Investment Audit Report</u> Updated report required in December 2019 on the acceptance of feedback from NZTA and the risk of any consequences therein.	Contracts and Partnering Manager	September 2019	December 2019	Council are waiting on information from BECA on the data review to enable Council's response to NZTA to be completed. NZTA have confirmed the delay is not compromising the funding programme.

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Tony Whittaker Acting Chief Executive
<b>Date</b>	26 November 2019
<b>Prepared by</b>	Sharlene Jenkins Executive Assistant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1301
<b>Report Title</b>	Exclusion of the Public

## **I. EXECUTIVE SUMMARY**

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To exclude the public from the whole or part of the proceedings of the meeting to enable the Audit & Risk Committee to deliberate and make decisions in private on public excluded items.

## **2. RECOMMENDATION**

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**THAT** the report of the Acting Chief Executive be received;

**AND THAT** the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:

### **REPORTS**

#### **a. Fraud Declaration**

*The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)**

**Section 48(1)(a)(d)**

**b. Register of Members' Interest – Elected Members and Senior Staff**

*The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)

Section 48(1)(a)(i)

**c. Committee Time with Audit New Zealand**

*The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)(g)(h)(i)(j)

Section 48(1)(a)(d)

**AND FURTHER THAT Ms Devlin (Chair), Mr Pieterse and Ms Procter (Audit New Zealand) remain in the meeting after the public has been excluded to chair/facilitate the discussion on items in PEX 5 [Public excluded items] in the public excluded section of the meeting.**