Audit & Risk Committee

Open Agenda

Notice is hereby given that an ordinary meeting of Audit & Risk Committee will be held on:

Date: **Tuesday 26 June 2018**
Time: **10:00am**
Venue: **Council Chambers**
35 Kenrick Street
TE AROHA

Membership

Chairperson   John Luxton

Mayor Jan Barnes	Cr James Sainsbury
Cr Neil Goodger	Cr Ash Tanner
Cr Brian Hunter	Cr James Thomas, JP

1 Meeting Opening

2 Present

3 Apologies

At the close of the agenda no apologies had been received.

4 Notification of Urgent Business

Pursuant to clause 3.7.5 and 3.7.6 of the Standing Orders NZS 9202:2003 and Section 6A (7) of the Local Government Official Information and Meetings Act 1987, the Chairman to enquire from members whether there are any additional items for consideration which qualify as extraordinary or urgent additional business.

5 Confirmation of minutes

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 6 March 2018

Item 6.1

Annual Report 2017/18
Draft Interim Management Report

Trim No.: 2012809

Executive Summary

The Local Government Act 2002 requires Council to prepare and adopt an annual report for each financial year. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor-General are Audit New Zealand (Audit NZ).

During each financial year Audit NZ carries out an interim audit (completed in May 2018) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report.

At the time of writing this report Audit NZ have not provided Council with the Draft Interim Management Report. The report will be circulated prior or tabled on the day of the Audit and Risk Committee meeting.

Recommendation

That:

1. **The report is received.**

2. **The Audit and Risk Committee considers providing feedback to Council regarding the Draft Interim Management Report for 2018.**

Content

Background

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt in respect of each financial year an annual report. The annual report contains information regarding the Council's financial and non-financial performance for that year against budgets and specified performance targets. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor-General are Audit New Zealand (Audit NZ).

During each financial year Audit NZ carries out an interim audit (completed in May 2018) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report. At the time of writing this report Audit NZ have not provided Council with the Draft Interim Management Report. The report will be circulated prior or tabled on the day of the Audit and Risk Committee meeting.

Analysis

Options considered

The Committee has the opportunity to make recommendations to Council regarding the content of the Draft Interim Management Report.

Item 6.1

Legal and statutory requirements

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt an annual report each financial year.

Consistency with the Long Term Plan / Annual Plan

Funding is allocated in each Long Term Plan/Annual Plan to produce and audit the Annual Report.

Timeframes

Key audit dates for the Annual Report 2017/18 are as follows:

Annual Report	Date
Interim audit	14 -18 May 2018
Draft Interim Management Report issued	08 June
Final audit commences	27 August 2018
Verbal audit clearance given	26 September 2018
Draft final management report issued	28 September 2018
Draft audit opinion issued	28 September 2018
Review of audit and Annual Report by Audit and Risk Committee	09 October 2018
Audit opinion issued	10 October 2018
Council adoption of Annual Report and Summary	10 October 2018

Attachments

Signatories

Author(s)	Jesse Gooding	
	Graduate Policy Planner	

Approved by	Sandra Harris	
	Acting Strategic Policy Manager	
	Don McLeod	
	Chief Executive Officer	

Accounting Policies Review

Trim No.: 2016656

Executive Summary

Council's Accounting policies were last reviewed in June 2017. There have been no changes in accounting standards affecting Council since the last review, and as such, no changes to the content of accounting policies have been recommended by staff.

Staff intend to incorporate some improvements to the presentation of the accounting policies in the 2017/18 Annual Report to follow evolving good practice suggested by Audit New Zealand.

Recommendation

That:

1. **The Committee recommend to Council that the accounting policies are adopted unchanged from the previous year (as part of the Annual Report adoption process).**

Content

Background and consideration

The accounting policies are reviewed annually to ensure that they continue to comply with generally accepted accounting practice (GAAP) and current practices.   The policies were last reviewed in June 2017. The activities and revenue streams of Council have not changed significantly since last year. Staff have not identified any changes in accounting standards applicable for the year ended 30 June 2018.

There are no proposed changes to the accounting policies for the year ended 30 June 2018.

Audit New Zealand released an update to their Model Financial Statements in late June 2017 that highlights some evolving good practise around improving the readability of financial statements. It is intended that the financial statements for 2017/18 will be updated to incorporate some of these improvements, which include moving significant accounting policies to sit within the notes to which they relate, and to simplify some of the accounting policy language. For further information, Audit New Zealand's Model Financial Statements can be viewed on www.auditnz.govt.nz/publications-resources.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Larnia Weir	
	Deputy Finance Manager	
Approved by	Manaia Te Wiata	
	Group Manager Business Support	

Item 6.3

Fraud Policy Review

Trim No.: 2019691

Executive Summary

The Fraud Policy is due for review by the Audit and Risk Committee.

The policy was last reviewed in June 2017.

The only changes proposed to the policy are to make it more understandable without altering the intent or focus.

Recommendation

That:

1.   The revised Fraud and Corruption Policy be adopted.

Content

Background

The Fraud Policy was last reviewed in June 2017.

The Policy outlines the objectives, policy statements and stakeholder responsibilities.

There are procedures that support the policy.

The procedures direct management and staff on the application of the policy.

Issues

Fraud Policy.

A copy of the current policy with tracked changes and the redrafted policy are attached.

Corruption has been included in the policy name and the body of the policy.

The other changes are intended to make the policy easier to understand for staff.

As a result the policy appendix is no longer considered necessary.

Analysis

Options considered

1.   The amended Policy be adopted.

2.   The Policy in the current form is endorsed.

Item 6.3

Analysis of preferred option

Option 1 is preferred.

It is considered that making the policy more understandable for staff will assist to achieve the policy objectives.

Communication, consultation and decision making processes

Human Resources will coordinate a process to communicate the policy changes to stakeholders.

We have a partnership for quality with the Unions at Council. As part of our process in this review we will specifically invite Union feed-back.

We hope that this will help raise awareness of the Policy.

Any issues or feed-back that arise can then be referred back to the Audit and Risk Committee.

Financial Impact

i.   Cost

There are no external costs anticipated from this review.

Attachments

A.   Draft Fraud Policy 2018
B.   Draft Fraud Policy 2018 Markup

Signatories

Author(s)	Manaia Te Wiata	
	Group Manager Business Support	

Approved by	Manaia Te Wiata	
	Group Manager Business Support	

Fraud and Corruption Policy

Department: Finance and Business Services

Policy Type: Internal policy

Version and date: Version 6, June 2018

Introduction

Fraud and corruption are common things that go wrong in organisations. Fraud is deceiving others to gain something for yourself and corruption is using your position to gain something for yourself.

At Matamata-Piako District Council (MPDC) our vision and values are part of everyday life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.

This policy reinforces our core values and covers how employees and elected members can prevent, report and manage suspected fraud or corruption.

Objectives

We are committed to maintaining a culture that reflects our core values of communication and integrity to prevent fraud and corruption from occurring at MPDC.

To achieve this we will:
- promote our vision and values to staff to create a staff culture where fraud and corruption are unacceptable
- inform staff of the penalties that that can be faced if convicted of fraud or corruption offences
- educate staff on what fraud and corruption is and what to do if they suspect fraud or corruption
- develop and maintain effective ways (controls) to prevent fraud and corruption
- If fraud or corruption occurs:
  - ensure a full investigation takes place
  - take disciplinary and/or legal action where justified
  - review systems and procedures to prevent similar frauds
  - investigate whether there has been a failure in supervision and take disciplinary action if justified
  - record and report all discovered cases

Policy

Staff must work in accordance with our vision, values and expected behaviours (including demonstrating accountability, open and honest communication, and integrity in all we do). These behaviours are reviewed with staff annually as part of the performance review process.

Item 6.3

We will not tolerate fraud or corruption and will investigate all instances of suspected fraud or corruption. We will also co-operate fully with any external investigating body such as the police.

We will take disciplinary action and/or a criminal prosecution against any staff member who commits or attempts to commit fraud or corruption. This may include dismissal.

We will take action including criminal prosecution against anyone else including external organisations or individuals defrauding or trying to defraud MPDC.

We will always seek to recover funds lost through fraud or corruption and will report all instances to the Audit & Risk Committee and the external auditors.

This policy does not apply to:
- incorrect information provided by the public such as providing wrong information on a licence application
- or performance management issues that should be resolved by a manager and/or Human Resources.

This policy should be read alongside the Council's Protected Disclosures and Managing Conflicts of Interest policies.

Policy Guidelines

Everyone at MPDC is responsible for preventing, detecting and reducing fraud or corruption.

Common examples/things to look out for include:
- incorrectly recording hours worked on timesheets
- theft of time (misusing work time/wasting time)
- theft of Council property (including giving away equipment or stock)
- accepting gifts from suppliers or contacts (not in accordance with our Gift Policy)
- putting in false or altered reimbursement claims
- forging or altering documents
- disclosing confidential information or data
- being asked to sign documents that the staff member is unsure about or doesn't have a chance to read properly
- handling money inappropriately.

Some positions have very specific roles when it comes to helping with the prevention and detection of fraud and corruption – as outlined below:

Finance and Business Support
The Finance and Business Support Manager and Deputy Finance Manager are responsible for identifying and reviewing all the systems (controls) designed to reduce fraud or corruption taking place at MPDC. These internal systems/controls will be reviewed at least annually.

Executive Team
The Chief Executive Officer (CEO) is responsible for sorting out investigations of allegations of fraud or corruption. This includes appointing a suitable person to lead the investigation.

The CEO will be responsible for receiving the report of the investigating officer and determining an appropriate response.

Human Resources Manager (HR Manager)
The HR Manager is responsible for promoting awareness of any relevant policies or information, and the potential penalties for fraud or corruption. The HR Manager is also responsible for providing advice on employment matters.

Appointed Investigator
The appointed investigator will be responsible for investigating allegations of fraud or corruption. To carry out these duties they will have access to all staff and information noting that:
- access to HR records will be managed by the HR Manager and must be approved by the Chief Executive Officer.
- access to other confidential information or records will be managed through the Information Manager.

Managers
Managers are the first line of defence against fraud and corruption. At all times they should be alert to:
- the possibility that unusual events may be symptoms of fraud and corruption (or attempted fraud and corruption)
- that fraud and corruption may be highlighted by management checks or by a third party.

Managers are responsible for:
- encouraging their staff to work in accordance with our vision and values, and reviewing the expected behaviours with staff as part of the annual performance review process
- being aware of the potential for fraud or corruption
- ensuring that adequate systems (controls) exist within their area of responsibility. The systems (controls) should be appropriate to the risk involved
- reviewing and testing systems to satisfy themselves the systems continue to operate effectively.

Staff

Staff are expected to:
- work in accordance with our vision, values and expected behaviours (including demonstrating accountability, open and honest communication, and integrity in all we do). These behaviours are reviewed with staff annually as part of their performance review.
- act with integrity when using official resources and handling or using public funds including cash or payment systems, receipts or dealing with contractors or suppliers.
- report details of any suspected fraud or corruption to the CEO, a Group Manager or the Human Resources Manager
- assist in the investigation of any suspected fraud or corruption.

Effects and Risks
This policy provides assurance to staff, Council, auditors and the community that MPDC has robust measures in place to prevent, detect and reduce fraud.

Failure to follow this policy could result in financial loss, damage to Council's reputation and legal action.

Any person convicted of fraud or corruption charges could face severe penalties under the Crimes Act 1961 or the Secret Commissions Act 1910.

The penalties can range from unlimited fines to seven years imprisonment.

Relevant Legislation
- Local Government Act 2002
- Employment Relations Act 2000
- Human Rights Act 1993
- Privacy Act 1993
- Protected Disclosures Act 2000
- Crimes Act 1961
- Secret Commissions Act 1910

Related Policies, Strategies or Guidelines
- Protected Disclosures Policy
- Sensitive Expenditure Policy
- Gifts Policy
- Managing Conflicts of Interest Policy
- Declarations of interest (forms completed by staff)
- Substandard Performance, Misconduct and Disciplinary Policy

Audience
This policy applies to all Council employees and elected members in their work for MPDC.

Measurement and Review
This policy will be reviewed annually. The Group Manager Business Support will be responsible for the review.

Authorisation

Authorised by: Audit & Risk Committee 26 June 2018

Signed:_____   _____
        Don McLeod - CEO   Manaia Te Wiata –
                             Group Manager Business Support

Fraud and Corruption Policy

Department: Finance and Business Services

Policy Type: Internal policy

Version and date: Version 6, June ~~2017~~ 2018

Introduction

~~At Matamata-Piako District Council (MPDC) we work in accordance with our values, so our vision and values are part of everyday life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.~~

~~This policy reinforces our approach to business by communicating our core values and by setting out how employees and elected members can prevent, report and manage suspected fraud.~~
Fraud and corruption are common things that go wrong in organisations. Fraud is deceiving others to gain something for yourself and corruption is using your position to gain something for yourself.

At Matamata-Piako District Council (MPDC) our vision and values are part of everyday life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.

This policy reinforces our core values and covers how employees and elected members can prevent, report and manage suspected fraud or corruption.

Objectives

We are committed to maintaining a culture that reflects our core values of communication and integrity to prevent fraud and corruption from occurring at MPDC.

To achieve this we will:

- promote our vision and values to staff to create a ~~positive~~ staff culture where fraud and corruption are unacceptable
- ~~give prominence to~~inform staff of the penalties that that can be faced if ~~people are~~ convicted of fraud or corruption offences
- educate staff on what fraud and corruption is and what to do if they suspect fraud or corruption~~under the Crimes Act 1961 or Secret Commissions Act 1910~~
- develop and maintain effective ways (controls) to prevent fraud and corruption~~.~~
- If fraud or corruption occurs:
    - o ensure ~~that if fraud occurs, a vigorous and prompt~~a full investigation takes place~~.~~
    - o take ~~appropriate~~ disciplinary and/or legal action ~~in all cases,~~where justified~~.~~
    - o review systems and procedures to prevent similar frauds~~.~~

- o investigate whether there has been a failure in supervision and take ~~appropriate~~ disciplinary action if justified~~supervisory failures occurred.~~
- o record and report all discovered cases ~~of fraud.~~

Policy

Staff must work in accordance with our vision, values and expected behaviours (including demonstrating accountability, open and honest communication, and integrity in all we do). These behaviours are reviewed with staff annually as part of the performance review process.

We will not tolerate fraud or corruption and will investigate all instances of suspected fraud or corruption. We will also co-operate fully with any external investigating body such as the police.

We will take disciplinary action and/or a criminal prosecution against any staff member who commits or attempts to commit fraud or corruption. This may include dismissal.

We will take action including criminal prosecution against anyone else including external organisations or individuals defrauding or trying to defraud MPDC.

~~The following policies and principles apply at MPDC:~~
- ~~Staff must work, and be seen to work, in accordance with our vision, values and expected behaviours (including demonstrating accountability, open and honest communication, and integrity in all we do). These behaviours are reviewed with staff annually as part of the performance review process.~~
- ~~We will not tolerate fraud, impropriety or dishonesty and will investigate all instances of suspected fraud, impropriety, or dishonest conduct.~~
- ~~We will take action (including dismissal and/or criminal prosecution) against any member of staff who commits or attempts to commit fraud.~~
- ~~We will take action (including criminal prosecution) against any other party including external organisations or individuals defrauding (or attempting to defraud) MPDC.~~
- ~~We will co-operate fully with any external investigating body.~~
- We will always seek to recover funds lost through fraud or corruption and will report all instances to the ~~.~~
- ~~All cases of fraud will be reported to the~~ Audit & Risk Committee and the external auditors.

This policy does not apply to:
- ~~provision of~~ incorrect information provided by the public ~~(~~such as providing wrong information on a licence application~~).~~
- or performance management issues that should be resolved by a manager and/or Human Resources.

This policy should be read alongside the Council's Protected Disclosures and Managing Conflicts of Interest policies.

Policy Guidelines

Everyone at MPDC is responsible for preventing, detecting and reducing fraud or corruption.

Common examples/things to look out for include:
- incorrectly recording hours worked on timesheets
- theft of time (misusing work time/wasting time)
- theft of Council property (including giving away equipment or stock)
- accepting gifts from suppliers or contacts (not in accordance with our Gift Policy)
- putting in false or altered reimbursement claims
- forging or altering documents
- disclosing confidential information or data
- being asked to sign documents that the staff member is unsure about or doesn't have a chance to read properly
- handling money inappropriately.

Further examples can be found in appendix A.

Some positions have very specific roles when it comes to helping with the prevention and detection of fraud and corruption – as outlined below:Specific positions and the role they play in managing fraud are detailed below.

Finance and Business Support
The Finance and Business Support Manager and Deputy Finance Manager are responsible for identifying and reviewing all the systems (controls)establishing the internal control system designed to reduce the likelihood of fraud or corruption taking place at MPDC. ; Tthese internal controls systems/controls will be reviewed at least annually.

Executive Team
The Chief Executive Officer (CEO) is responsible for making arrangements for thesorting out investigations of allegations of fraud or corruption. This includes appointing a suitably qualifiedsuitable person to lead the investigation.

The Chief Executive Officer (CEO)CEO will be responsible for receiving the report of the investigating officer and determining an appropriate response.

Human Resources & Communication Manager (HR Manager)
The HR Manager is responsible for promoting awareness of any relevant policies or ti-fraud policiesinformation, and the potential penalties that could result fromfor fraud or corruption. The HR Manager is also responsible for and providing advice on employment matters.

Appointed Investigator

The appointed investigator will be responsible for investigating allegations of fraud or corruption. To carry out these duties they will have unrestricted access to all staff and information noting that:

- access to HR records will be managed through by the HR Manager and must be approved by the Chief Executive Officer.
- access to other confidential information or records will be managed through the Information Manager.

Managers

Managers are the first line of defence against fraud and corruption. At all times they should be alert to:

- the possibility that unusual events may be symptoms of fraud and corruption (or attempted fraud and corruption).
- that fraud and corruption may be highlighted as a result ofby management checks or be brought to their attention by a third party.

They Managers are responsible for:

- encouraging their staff to work in accordance with our vision and values, and reviewing the expectedse behaviours with staff as part of the annual performance review process.
- being aware of the potential for fraud or corruptiond.
- ensuring that an adequate system of internaladequate systems (controls) exists within their area of responsibility. The systems (controls) should be , appropriate to the risk involved.
- ensuring that those controls are appropriate and operating effectively.
- reviewing and testing control systems to satisfy themselves the systems continue to operate effectively.

Staff

Staff must work, and be seen to work, in accordance with our vision, values and expected behaviours (including demonstrating accountability, open and honest communication, and integrity in all we do). These behaviours are reviewed with staff annually as part of the performance review

Staff are responsible for:expected to:

- work in accordance with our vision, values and expected behaviours (including demonstrating accountability, open and honest communication, and integrity in all we do). These behaviours are reviewed with staff annually as part of their performance review.
- acting with integrity in the use ofwhen using official resources and in the handling and use ofor using public funds including whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers.
- reporting details of any suspected fraud, impropriety or other dishonest or corruption to activity immediately to the CEO, a Group Manager or the Human Resources Manager their line manager or the responsible manager.
- assisting in the investigation of any suspected fraud or corruption.d.

Protected Disclosures Policy Review 2018

Trim No.: 2019795

Item 6.4

Executive Summary

The Protected Disclosures Policy is due for review by the Audit and Risk Committee.

The policy was last reviewed in June 2017.

The changes proposed to the policy are to make it more understandable without altering the intent or focus.

Recommendation

That:

1.   The revised Protected Disclosures Whistleblower Policy be adopted.

Content

Background

The Protected Disclosures Policy was last reviewed in June 2017.

The Policy outlines the objectives, policy statements and stakeholder responsibilities.

There are procedures that support the policy.

The procedures direct management and staff on the application of the policy.

Issues

A copy of the current policy with tracked changes and the redrafted policy are attached.

As with the Fraud Policy, the changes are intended to make the policy easier to understand for staff.

The changes to the title are to help staff recognise the purpose of the policy ie the legislation was enacted to give protection to whistle-blowing.

Analysis

Options considered

1.   The amended Policy be adopted.

2.   The Policy in the current form is endorsed,

Item 6.4

Analysis of preferred option

Option 1 is preferred.

It is considered that making the policy more understandable for staff will assist to achieve the policy objectives.

Communication, consultation and decision making processes

Human Resources will coordinate a process to communicate the policy changes to stakeholders.

We have a partnership for quality with the Unions at Council. As part of our process in this review we will specifically invite Union feed-back.

We hope that this will help raise awareness of the Policy.

Any issues or feed-back that arise can then be referred back to the Audit and Risk Committee.

Financial Impact

i.   Cost

There are no external costs anticipated from this review.

Attachments

A.   Protected Disclosures Policy 2018 Markup
B.   Protected Disclosures Policy 2018

Signatories

Author(s)	Manaia Te Wiata	
	Group Manager Business Support	

Approved by	Manaia Te Wiata	
	Group Manager Business Support	

Protected Disclosures – Whistleblower Policy

Department: Human Resources

Policy Type: Internal policy

Version and date: Version 4~~3~~, June ~~~~201~~8~~6

Introduction

Council encourages staff to report serious wrongdoing by ~~providing them protection~~protecting their identity. ~~This is~~Reporting serious wrongdoing is sometimes referred to as '~~blowing the whistle~~'whistleblowing'.

At Matamata-Piako District Council (MPDC) our vision and values are part of everyday life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.
~~At Matamata-Piako District Council (MPDC) we work in accordance with our values, so our vision and values are part of every day life. We are committed to the highest possible standards of teamwork, respect, accountability, integrity and communication.~~

This policy reinforces our~~-~~ core values and ~~sets out~~covers what an employee should do if they suspect serious wrongdoing, how their identity will be protected and how Council will deal with the disclosure.~~Council will meet its responsibilities under the Protected Disclosures Act 2000 (the Act). provides protection to employees and deals with protected disclosures.~~

~~**What is the Protected Disclosures Act?**~~

~~The purpose of the Act is to encourage people to report serious wrongdoing in their workplace by providing protection for employees who want to 'blow the whistle'. This applies to Council.~~

~~**What is 'serious wrongdoing'?**~~

~~Serious wrongdoing includes:~~

- ~~unlawful, corrupt or irregular use of public money or resources~~
- ~~conduct that poses a serious risk to public health, safety, the environment or the maintenance of the law~~
- ~~any criminal offence~~
- ~~gross negligence or mismanagement by public officials.~~

~~**When is a disclosure protected?**~~

~~To make a protected disclosure, a person must be an 'employee' of Council~~

~~Under the Act, 'employee' includes:~~

- former employees
- contractors
- people seconded to Council
- volunteers.

A disclosure by an employee will be protected if:

- the information is about serious wrongdoing in the workplace
- the employee reasonably believes the information is true or likely to be true, and
- the employee wants the serious wrongdoing to be investigated.

The disclosure won't be protected if the employee:

- knows the allegations are false
- acts in bad faith
- discloses information that is protected by legal professional privilege.

Objectives

We are committed to maintaining a culture that reflects our core values of communication and integrity to prevent and/or expose serious wrong-doing at Council.

To achieve this we will:
- promote our vision and values to staff to create a staff culture where serious wrong-doing is unacceptable
- promote our vision and values to staff to create a staff culture where staff are comfortable making a protected disclosure if needed
- educate staff on what serious wrong doing is and what to do if they suspect it
-

if a if a protected disclosure is made Council will undertake a full investigation in accordance with this policy and the Protected Disclosure promapp process:
- ensure a full investigation takes place
- take disciplinary and/or legal action where justified
- review systems and procedures to prevent similar frauds
- investigate whether there has been a failure in supervision and take disciplinary action if justified
- record and report all discovered cases

The purposes of the Act are consistent with our core values of communication and integrity. This objective of this policy is to prevent and/or expose serious wrong-doing at Council.

The policy statements reflect Council's expectations to achieve this objective.

Policy

If an employee genuinely suspects that something is seriously wrong and reports it, MPDC will protect their identity unless they agree otherwise. This means an

employee can be confident that anything they report will be investigated, without endangering them or their job.

~~Council encourages staff to report serious wrongdoing by providing them protection when making a disclosure. This is sometimes referred to as 'blowing the whistle'.~~
Serious wrongdoing is:
~~Serious wrongdoing includes:~~

- unlawful, corrupt or ~~abnormal~~ irregular use of public money or resources
- behaviour that poses a serious risk to public health, safety and ~~ty,~~ the environment
- ~~or breaks the law~~ behaviour that poses a serious risk to the law being maintained including the prevention, investigation and detection of offences
- any criminal offence
- behaviour by public officials that is oppressive, discriminatory, ~~gross~~ very negligent ~~ee~~ (being very careless) or ~~mismanagement by public officials.~~ is considered gross mismanagement ~~(extremely bad management).~~

The employee's identity will be protected if the employee:
- is reporting information that is about serious wrongdoing in or by the organisation
- reasonably believes the information is true or likely to be true
- wants the serious wrongdoing to be investigated, and
- wants their identity to be protected.
-

The employee's identity will not be protected:
a. where the employee consents in writing to the disclosure of their identity
b. the person who has acquired knowledge of the protected disclosure reasonably believes that disclosure of identity information is
1. essential to the effective investigation of the allegation in the protected disclosure
2. is essential to prevent serious risk to public health or public safety or the environment
3. essential having regard to principals of natural justice.

The employee's identity also won't be protected if the employee knows the allegations are false, acts in bad faith or discloses

~~**When is a disclosure protected?**~~

~~To make a protected disclosure, a person must be an 'employee' of Council~~

~~Under the Act, 'employee' includes:~~

- ~~former employees~~
- ~~contractors~~
- ~~people seconded to Council~~
- ~~volunteers.~~

~~A disclosure by an employee will be protected if:~~

- ~~the information is about serious wrongdoing in the workplace~~

- ~~the employee reasonably believes the information is true or likely to be true, and~~
- ~~the employee wants the serious wrongdoing to be investigated.~~

~~The disclosure won't be protected if the employee:~~

- ~~knows the allegations are false~~
- ~~acts in bad faith~~
- ~~discloses information~~Information that is protected by legal professional privilege.

Legal professional privilege means ~~the protection of confidential communications between a solicitor and a client or communication that will enable a legal advisor to advise their client.~~information prepared by or for lawyers for the purpose of giving or received legal advice. It also includes documents prepared to enable lawyers to advise their clients.

If an employee makes a disclosure in accordance with this policy they will have the following protection:
-    in the unlikely event the employee suffers any revengeful action by MPDC for making the disclosure the employee can raise a personal grievance
- ~~if the employee was not involved in the serious wrongdoing the employee will~~

-    be immune from any civil or criminal proceeding or any disciplinary proceeding due to having made or referred the disclosure of information.

Protected Disclosures – Whistleblower Policy

Department: Human Resources

Policy Type: Internal policy

Version and date: Version 4, June 2018

Introduction

Council encourages staff to report serious wrongdoing by protecting their identity. Reporting serious wrongdoing is sometimes referred to as 'whistleblowing'.

At Matamata-Piako District Council (MPDC) our vision and values are part of everyday life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.

This policy reinforces our core values and covers what an employee should do if they suspect serious wrongdoing, how their identity will be protected and how Council will deal with the disclosure.

Objectives

We are committed to maintaining a culture that reflects our core values of communication and integrity to prevent and/or expose serious wrongdoing at Council.

To achieve this we will:
- promote our vision and values to create a staff culture where serious wrongdoing is unacceptable
- promote our vision and values to create a staff culture where staff are comfortable making a protected disclosure if needed

educate staff on what serious wrong doing is and what to do if they suspect it•

if a protected disclosure is made Council will undertake a full investigation in accordance with this policy and the Protected Disclosure promapp process•

Policy

If an employee genuinely suspects that something is seriously wrong and reports it, MPDC will protect their identity unless they agree otherwise. This means an employee can be confident that anything they report will be investigated, without endangering them or their job.

Serious wrongdoing is:
- unlawful, corrupt or irregular use of public money or resources
- behaviour that poses a serious risk to public health, safety and the environment
- behaviour that poses a serious risk to the law being maintained including the prevention, investigation and detection of offences

- any criminal offence
- behaviour by public officials that is oppressive, discriminatory, very negligent (being very careless) or is considered gross mismanagement

The employee's identity will be protected if the employee:
- is reporting information that is about serious wrongdoing in or by the organisation
- reasonably believes the information is true or likely to be true
- wants the serious wrongdoing to be investigated, and

wants their identity to be protected.•

The employee's identity will not be protected:
a. where the employee consents in writing to the disclosure of their identity
b. the person who has acquired knowledge of the protected disclosure reasonably believes that disclosure of identity information is
    1. essential to the effective investigation of the allegation in the protected disclosure
    2. is essential to prevent serious risk to public health or public safety or the environment
    3. essential having regard to principals of natural justice.

The employee's identity also won't be protected if the employee knows the allegations are false, acts in bad faith or discloses Information that is protected by legal professional privilege.

Legal professional privilege means information prepared by or for lawyers for the purpose of giving or received legal advice. It also includes documents prepared to enable lawyers to advise their clients.

If an employee makes a disclosure in accordance with this policy they will have the following protection:
- in the unlikely event the employee suffers any revengeful action by MPDC for making the disclosure the employee can raise a personal grievance

if the employee was not involved in the serious wrongdoing the employee will -   be immune from any civil or criminal proceeding or any disciplinary proceeding due to having made or referred the disclosure of information.

Reporting information

Everyone at MPDC is responsible for reporting serious wrongdoing. Reporting the serious wrongdoing can be done verbally or in writing.

Who to report the information to:

To an internal party:

- the employee's manager (or any other manager), Human Resources (HR),

- a Group Manager

- the CEO.

Or to:

- the Mayor,

- Deputy Mayor,

- a Councillor,

- the Audit and Risk Committee.

Or to an appropriate authority:

if the employee thinks any of the above are involved in the serious wrongdoing or they have made the disclosure but there's been no action within 20 working days (the appropriate authorities are listed in the Protected Disclosures promapp process)

Or to a Minister or an Ombudsman:

if they have already made substantially the same disclosure and they believe on reasonable grounds that the person or authority has:

- not decided to investigate the matter or

- decided to investigate but has not made progress with the

Once a protected disclosure has been received the internal party will follow the process outlined in the Protected Disclosures Promapp process.

Effects and Risks

This policy provides assurance to Council, auditors and the community that MPDC will address serious wrongdoing.

Failure to follow this policy could result in financial loss, damage to Council's reputation and legal action.

Relevant Legislation
- Local Government Act 2002
- Employment Relations Act 2000
- Human Rights Act 1993
- Privacy Act 1993
- Protected Disclosures Act 2000

Related Policies, Strategies or Guidelines
- Protected Disclosures Procedure
- Fraud Policy
- Sensitive Expenditure Policy
- Gifts Policy
- Managing Conflicts of Interest Policy
- Declaration of interest forms
- Substandard Performance, Misconduct and Disciplinary Policy

Audience
This policy applies to all Council employees – under the Protected Disclosures Act 2000 an employee includes former employees, contractors, people seconded to Council and volunteers.

This policy also applies to elected members in their work for MPDC.

Measurement and Review

The HR Manager will review the policy annually or when there is a change to legislation. The review will be reported to the Audit & Risk Committee.

The Audit & Risk Committee will monitor the effectiveness of this policy annually. Which will include a summary report from the Chief Executive Officer on the operation of the policy and procedures.

Authorisation

Authorised by:

Signed:_____   _____
          Don McLeod - CEO   Kelly Reith –
                                                        Human Resources Manager

****

Long Term Plan 2018-28 Project Update

Trim No.: 2012687

Item 6.5

Executive Summary

Council is required to prepare and adopt a Long Term Plan (LTP) under the Local Government Act 2002 (LGA) every three years. The Committee have received regular reports on the LTP 2018-28. This report provides a further project update. The LTP is due to be adopted by Council at its meeting on 27 June 2018.

Recommendation

That:

1.   **The information be received.**

2.   **The Audit and Risk Committee considers providing feedback to Council regarding the Long Term Plan 2018-28.**

Content

Background

Council is required to prepare and adopt a LTP under the LGA. The LTP sets out the activities, budgets, financial strategy and key financial policies of the Council for the next 10 years. The LTP 2018-28 must be adopted by Council by 30 June 2018 for implementation from 1 July 2018.

The LTP is a complex document covering all activities of Council, major strategic documents, financial policies, auditing and a large consultation component with the community. Due to its complexity and interrelationships between parts the timeline has been adjusted throughout the project. The dates for the external audit process, consultation and adoption however could not be changed.

The following table provides a high level overview of progress to date and upcoming milestones. The overall project is considered to be on track and is almost complete.

Description	When	Progress
Demographic/Growth Assumptions	Feb-May 2017	**Completed** Council has adopted the median growth projections. Major assumptions were reported to the Committee in June 2017.
Financial Assumptions	Feb-May 2017	**Completed** A report was presented to the Committee in June 2017. The full list of assumptions used for the LTP, Infrastructure Strategy and Financial Strategy were presented to Committee in October 2017. The Committee requested further work on the inflation assumptions, these were discussed at the December Committee meeting.
Community Outcomes Review	Apr-Jun 2017	**Completed** Council approved its new vision and outcomes in April. These have been

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Description	When	Progress
		incorporated into the various activity plans, financial strategy and infrastructure strategy. As part of the preparation of the LTP, Activity and Asset Management Plans have been checked against Council's key strategic and policy documents for strategic fit.
Rates Structure	Apr 2017-Jun 2018	**Completed** Council indicated a preference to maintain the current rating structure for the LTP 2018-28.
Activity Plans (including budgets)	Apr-Sep 2017	**Completed** Activity managers presented their activity plans to Council workshops in May/June 2017. The Activity Plans have been reviewed by Council.
Right Debate (pre-consultation)	Apr-Aug 2017	**Completed** Pre-consultation on Waste minimisation initiatives occurred in June/July with 82 responses received. Council asked staff to undertake further analysis of options relating to rubbish bag distribution and targeted vs general rates on waste management. This was reported to Council in October 2017. LTP Grants Proposals were called for in September, with a Hearing on 18 October. Council resolved to increase the total grant budget to be included in the Draft LTP.
Infrastructure and Financial Strategy	Apr-Oct 2017	**Completed** The Infrastructure and Financial Strategies were developed and discussed with Council at a workshop in November 2017. Council approved the strategies for audit purposes in December 2017.
Asset Management Plans	Feb-Oct 2017	**Completed** The asset management plans have been reviewed and finalised.
Policy Review	Apr-Oct 2017	**Completed** The Significance and Engagement Policy was adopted 9 August 2017. Council approved the draft policies on Development Contributions, Draft Revenue and Financing Policy on 13 December, subject to the audit process. The Draft Policy on Remission and Postponement of Rates was approved for consultation by Council at its November Corporate and Operations Committee meeting.
Council controlled organisation section	Jul-Nov 2017	**Completed** This has been updated.
Maori participation in decision	Jul-Oct 2017	**Completed**

Description	When	Progress
making		This has been updated.
Budgets/ Financials/ Notes	Jul-Dec 2017	**Completed** First budgets were discussed with Council in July, including capital works spreadsheet. Second budgets were discussed with Council in November with a final draft for inclusion in Draft LTP approved in December 2017.
Document development and QA	Jul-Dec 2017	**Completed** The LTP and Consultation Document have been graphically designed and a full internal quality check has been undertaken to ensure accuracy and consistency. An external legal review for legislative compliance was undertaken in January 2018.
Communications Strategy	Jul-Dec 2017	**Completed** A communications strategy has been developed, discussed with Councillors at a workshop on 21February 2018. The Communications Strategy has been implemented through the consultation process.
Special Consultative Procedure	Jan-Jun 2018	**Completed** Submissions were open from 28 March to 29 April 2018, with a hearing held on 16 and 17 May 2018.
External Audit Process	Jan-Jun 2018	**Underway** The interim audit was undertaken during the week of 4 December 2017. The final audit was undertaken in January/February 2018. Audit NZ provided an unmodified audit opinion on the LTP Consultation Document. This was presented on 7 March 2018 when Council adopted the Consultation Document. The final audit of the LTP is currently underway. Final audit opinion will be issued on 27 June 2018.
Finalisation/adoption of the LTP and other documents		**Underway** Following the Council hearings/ deliberations and decision-making Council staff have updated the documents to reflect the decisions. The LTP is scheduled to be adopted and the rates struck for 2018/19 on 27 June 2018

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Audit
In an endeavour to improve Council's internal control and processes Audit New Zealand will provide a Management Report/Letter of Representation to identify where improvements can be made in terms of meeting current best practice.

There is a separate report on this meeting agenda relating to the Management Report/Letter of Representation on the audit of our Long Term Plan.

Issues identified by the Auditors can be discussed at the meeting.

Risk Management
Risk management involves the identification and assessment, then avoidance, mitigation or elimination of risks. A risk log is maintained and monitored by the Project Team (Refer attached).

Analysis
Legal and statutory requirements
Council is required to adopt a Long Term Plan under the Local Government Act 2002.

Impact on policy and bylaws
As part of the preparation of the LTP, Activity and Asset Management Plans were checked against Council's key strategic and policy documents for strategic fit.

Council also consulted on the following documents alongside the LTP Consultation Document:
- Financial Strategy as incorporated in the Long Term Plan 2018-28
- Infrastructure Strategy as incorporated in the Long Term Plan 2018-28
- Revenue and Financing Policy 2018-28 as incorporated in the Long Term Plan 2018-28
- Development Contributions Policy 2018-28
- Fees and Charges 2018/19
- Policy on the remission of rates on land protected for conservation purposes
- Policy on the remission of penalties on unpaid rates
- Policy on the remission of rates: other categories
- Policy on remission of small rates balances
- Policy on the remission of rates on Maori freehold land
- Policy on the postponement of rates on Maori freehold land
- Policy on remissions for metered water leaks
- Policy on remissions of pan charge targeted rates based on water use
- Policy on remissions of pan charge targeted rates for educational establishments
- Draft Policy on remission of rates on abandoned land *(new policy)*
- Draft Policy on the remission and postponement of rates for natural disasters and emergencies *(new policy)*

Impact on Significance and Engagement Policy
The LTP is a significant document; consultation has been undertaken with the community.

Communication, consultation and decision making processes
The LTP project timeline also provided for a 'pre-consultation' process with the community referred to as the Right Debate where Council can ask for feedback on key issues it is considering for the LTP. Refer *Right Debate* above.

The LTP is subject to the special consultative process under the LGA. This process is a structured one month submission process with a hearing for those who have submitted and wish to speak to their submission. The consultative process has now been completed.

Timeframes

The Long Term Plan must be adopted prior to 1 July 2018. The following timeline details the key dates for the next steps of the project:

Process	Start	Finish
Audit and Risk Committee to review the final audited LTP	26 June 2018	26 June 2018
Council adopt final LTP Rates struck for 2018/19	27 June 2018	27 June 2018
LTP in force	1 July 2018	30 June 2021

Financial Impact

i.   Cost

The total budget for the Long Term Plan 2018-28 is $135,000 (funded $45,000 per year) and $90,000 for external audit fees (funded $30,000 per year). The total budget covers specific tasks undertaken externally such as population projections, legal advice/peer review, printing and distribution of the consultation document, newspaper advertisements and Audit NZ fees.

ii.   Funding Source

This is funded from existing budgets. The funding source for the LTP activities and projects are identified in the plan itself.

Attachments

A.   LTP 2018 / 28 Risk Log

Signatories

Author(s)	Niall Baker	
	Acting Senior Policy Planner	

Approved by	Sandra Harris	
	Acting Strategic Policy Manager	
	Don McLeod	
	Chief Executive Officer	

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Attachment A

Long-Term Plan 2018-28 – Risk Log

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating			Owner	Review Date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
1.	**Inappropriate focus for elected members** There is a risk the Long-Term Plan development does not establish the appropriate focus for elected member's political involvement, for example by not focusing on the issues that require decisions.	10/10/16	Project team	Possible	Moderate	(Moderate)	Elected members will be briefed on current Long-Term Plan and other projects, current and future national and regional strategic direction, local issues, and provided with an understanding of demographic factors (age structure, population projections, specific areas of growth and decline, household size, dwelling types) and performance measures. This will ensure the level of detail within the Long-Term Plan project does not mean elected members lose focus on the important issues and matters requiring decisions.	Possible	Significant	Minor	Sandra Harris	Project team meetings or project milestones	Open	Risk to be reviewed by the project team at each meeting 28/5 - Council has held workshops and meetings to discuss issues relating to the Long Term Plan. The project timeline has kept focus on key milestones and issues that require decisions.
2.	**Inadequate budget control** **$45,000** is provided each financial year for the Long-Term Plan (GL 3036). Any unused funds are carried over for the Long-Term Plan year to smooth the rates impact of the project. This includes demographic work, document design, printing,	10/10/16	Project team	Possible	Significant	(Moderate)	The project manager is responsible for monitoring the budget and advising the executive team of any issues. Budgets are set based on knowledge of previous project costs, taking in to consideration any likely increases in cost and any cost savings that can be achieved.	Highly unlikely	Significant	Minor	Sandra Harris Danny Anglesey	Project team meetings or project milestones	Open	Risk to be reviewed by the project team at each meeting 28/5 - The Long Term Plan has been developed within budget.

advertising and other costs associated with consultation on both the right debate (pre-consultation) and consultation document. In addition to this, funding is provided through Asset/Policy for the preparation of asset management plans and related documents and another budget to provide for Audit fees. Costs provided for the audit of the Long Term Plan 2018-28 will be outlined in in the audit arrangements letter. Provision of insufficient budgets could adversely affect the quality of supporting information and the consultation process with the community. Poor management of budgets could result in insufficient funding to complete key processes around document production and engagement with the community. Poor management of budgets could detrimentally affect political/community views of the project and Council as a whole regarding a high profile planning/budgeting document.						At this stage we are confident that the project can be completed comfortably within the project budget.							
3.	**Poor community**	10/10/16	Project	P o s i	o2	Pre-consultation may be	T s N		Sandra Harris	Project	C q	28/5 –the	

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Attachment A

	engagement The Long Term Plan and consultation document are the primary vehicles for talking to the community about the Council's plans for the next 10 years. Key conversations regarding levels of service, rates and debt need to take place within this framework. While it is not expected that all individuals within the community will agree with Council proposals, we expect to achieve a level of understanding of the issues the Council faces and why it has made the decisions that it has. A lack of engagement with the community at an early stage in the project may lead to a misunderstanding of what both Council and the community perceive the key choices Council needs to make. Failure to convey messages around Council's proposal for the next 10 years, why these decisions have been made and the alternatives available to the community may lead to a lack of understanding/ engagement with the community on key issues.		team				undertaken on the key issues identified as part of the Long Term Plan. For example during the previous Long-Term Plan process Council undertook a 'right debate' exercise, this identified the PNZ fund, demand for water and the possible extension of rubbish and recycling to the rural areas as questions for the community to consider. The intent of these exercises is to achieve a level of understanding with the community on the issues facing Council prior to their inclusion in the long term plan budgets. With the exception of the extension of rubbish services (which did not go ahead) these matters were covered in the consultation document.				Communications staff		team meetings or project milestones		communication plan has been implemented. Council received 198 submissions, with 221 submitters. 16/2- The Communications Plan is currently being prepared and will be discussed with Council in February. 24/11 – Pre-consultation has been completed. Planning for undertaking consultation in accordance with Special Consultative Procedure is underway. Consultation Document will be presented to Council for approval to send to audit 13 Dec. 19/9/17 – Council is currently undertaking pre-consultation with the community on Grant allocations. 8/6/17 Council is currently undertaking a pre-consultation with the community on the future of Waste Minimisation. Risk to be reviewed by the project team at each meeting.
4.	**Lack of document**	10/10/16	Project	M o	S ig	⌣ S	All documents are reviewed by	P o	S ig	M o			Project team meetings or	O o	28/5 –QA of the final QA

| **control/quality** The Long Term Plan, Consultation Document and the associated strategies and policies are intended to tell a cohesive story about what Council plans to do. The documents draw from a wide range of sources, with parts written by a number of people across the organisation.

There is a risk that the Long Term Plan, Consultation Document and the associated strategies and policies could lack cohesion and contain inconsistencies and errors. | | team | | | | a core group of the project team, including the PM, Communications, Finance and Asset Management to ensure consistency of language, projects and financials throughout the documents.

Time for internal Q&A has been allocated in January 2018 prior to the commencement of the audit.

Communication with internal designers has been limited to two staff to ensure quality control of externally prepared documentation.

Council also engages a legal review of its rating policy in the Long-Term to ensure legislative compliance.

During the previous LTP staff undertook a peer review with Waipa DC of the underlying documents. This was suggested as an approach to ensuring compliance with legislative requirements. The project de-brief suggest the peer review was not particularly useful and staff will look for alternative ways to provide QA.

Communications staff provide 'plain englishing' of the Long-Term Plan for readability and consistency.

A representative from KVS and | | | | Sandra Harris | project milestones | | LTP has been undertaken and the audit review has been completed.

16/2 – QA of the full LTP and CD has been undertaken

24/11 – As sections of the LTP documents are prepared peer-review by Corporate Strategy and Communications team are being completed, as well as Finance checking for consistency and alignment to Financial Strategy. All documents are sent to E-team for comment before distributed to elected members for comments.

Risk to be reviewed by the project team at each meeting |

							KC has been included on the project team to ensure input from these teams is co-ordinated and integrated.						
5.	**Weak level of governance engagement** The Long Term Plan and consultation document are the primary vehicles for talking to the community about the Council's plans for the next 10 years. This document requires ownership by the elected members and it should reflect their collective decisions for the community. A lack of engagement with the elected members in the project may lead to a misrepresentation of what they collectively see as they key issues for the community and a lack of ownership of the document.	10/10/16	Project team	Moderate	Moderate	(Moderate)	Staff will be engaging with Council explaining the work streams as a 'project on a page'. While returning Councillors were assumed to have an existing level of understanding of the requirements of the Long Term Plan, all Councillors have been taken through the same material. Workshops on a number of items and Council reports will be undertaken to ensure understanding of the key issues. At the start of the project, elected members will be provided with high level briefings of the overall strategic direction at a national, regional and local level – for example, pressure on water resources, centralisation of community facilities, One Network Road Classification (ONRC), establishing Council Controlled Organisations, legislative changes and pressures, population and housing changes from Auckland.	Possible	Moderate	Moderate	Sandra Harris	Project team meetings or project milestones	Open	28/5 –the community have been engaged in LTP with Councillors fronting particular issues and various consultation activities have taken place. 16/2 – Council approved the CD for Audit in December. Councillors and the Mayor will take an active part in the consultation process with the community. 24/11 – Project team continues to run workshops with elected members, and sending draft documents out for feedback and discussion. 19/9/17 – Project team continues to run workshops and provide regular project updates to elected members. 8/6/17 Regular workshops with elected members have been facilitated to discuss the various parts that form the LTP and specific issues and topics that

#	Risk		Owner	Likelihood	Consequence	Rating	Treatment	Likelihood	Consequence	Rating	Responsibility	Review	Status	Comments
														needed further exploring.
														Risk to be reviewed by the project team at each meeting.
6.	**Not addressing legislative changes or meeting legislative compliance** Central government has undertaken a series of amendments to key local government legislation, some of which was only passed mid-2014, while the previous LTP project was in progress and further legislative change has been signalled and may come into effect within the life of this project. SOLGM has indicated it will be "touch and go" whether the current legislative change proposals will be enacted in time to take effect for the 2018 Long-Term Plan. Key changes previously made relate to: • Mandatory performance measures • The Consultation Document • Changes to the Audit approach • The Infrastructure Strategy • The Significance and engagement policy	10/10/16	Project team	Likely	Significant	(Significant)	Changes to legislation will be signalled to Councillors as part of the 'project on a plan' as work streams from the project have progress Councillors have received update on the relevant legislation to ensure they understand the Council's obligations. The Society of Local Government managers (SOLGM) issues guidance, a health check and a checklist - recently updated to incorporate legislative changes. These guidance documents will be referred to by staff throughout the project. SOLGM also offers education programmes, which this year have focussed on changes to legislation as it applies to the LTP. Council staff will also consider developing a quality assurance plan as suggested by SOLGM. The local government sector also operates a series of list-serves which allow staff to discuss issues with people in similar roles across the local government sector. Staff regularly review publications by the Office of the Auditor General (OAG) relating the Long Term.	Possible	Significant	Minor	Sandra Harris	Project team meetings or project milestones	Open	28/5 – A internal legislative check of the final LTP has been undertaken and the rates resolution has been legally reviewed. 16/2 –Legislative compliance has been externally reviewed by Brookfields. Staff has also completed the SOLGM Health Check which was provided to Audit NZ. 24/11 – No new or changes to local government legislation is expected prior to Christmas. 19/9/17 – Parliament has risen for the General Election. No new or changes to legislation will occur until the new parliament is sworn in. 8/6/17 The Local Government Act 2002 Amendment Bill No 2 is currently On Hold (Select Committee phase). And with the House rising in August

	A lack of understanding of changes to legislation could result in non-compliance with legislative requirements. There's a risk that Non-compliance with legislative requirements may result in a challenge to Council processes and decision making regarding the setting of budgets, rates and policy.							Council's auditors request the completion of a self-assessment prior to the commencement of the audit. Staff will also undertake a review of our data collections systems to ensure that information required for reporting on performance measures is in place and working prior to 1 July 2018. Use/testing of updated systems will take place in early 2018.						for the general election, it is unlikely that this bill will come into force prior to the LTP. Risk to be reviewed by the project team at each meeting
7.	**Lack of resourcing/loss of key staff** The preparation of the Long Term Plan represents a higher workload for financial and planning staff than managed in years where an Annual Plan is prepared. Lack of resourcing and/or loss of key staff could adversely impact project timelines and document quality. Staff loss may also be for short-term period for example annual leave, injury. Over the life of the plan it is likely that key staff will be unavailable at particular	10/10/16	Project team	Likely	Moderate	(Significant)	Staff resourcing was considered well before the start of the project. In 2013 a Management Accountant was brought in as an additional resource for the financial team. Skill sets in the Corporate and Legal Services Team have been focused on policy experience as the opportunity for review presented itself with staff turnover up to the commencement of the project. This has meant that the project team has a good base in terms of resourcing and experience, this has improved that resilience of the team – as a result the loss of one or two key staff while not ideal for the project is not likely to have a significant impact. An additional administrative resource has been brought into	Possible	Moderate	Minor	Sandra Harris Sandra Harris Danny Anglesey, Susanne Kampshof	Project team meetings or project milestones	Open	28/5 – ongoing monitoring. There are no resourcing issues at this stage. 24/11 – ongoing monitoring. The majority of the work on the LTP is intended to be complete before Christmas - Planning is underway for when Project Manager goes on maternity leave. 20/9/17 – Ongoing monitoring. Risk to be reviewed by the project team at each meeting

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					the Corporate and Legal Services Team to cover role changes during maternity leave absence. Replacement of staff would follow standard HR processes; staff must give a minimum of one month's notice of resignation – giving an opportunity for handover of any critical issues before their departure. In the event of loss of staff, the budgets can accommodate some use of consultants to assist with document preparation.					

Attachment A

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Attachment A

| 8. | **Not achieving timeframes** The Long Term Plan must be adopted prior to 30 June 2018. The project timeline for a Long Term Plan is typically 14-18 months. 8-12 months is allocated to preparation of activity/asset management plans, revaluations, budgets, and other supporting documents. The remaining 6 months is allocated to the auditing process, adoption and consultation on the documents, hearings, amendments and adoption of the final documents.

Slippage in critical timeframes could adversely impact document quality, Council and community engagement in the development of the Long Term Plan and legislative compliance. | 10/10/16 | Project team | Moderate | Significant | (Significant) | A project timeline was developed for the project in conjunction with key staff. This is critical to ensuring adequate resources are available and buy-in from the project team on document delivery.

The project will be delivered to Councillors as a 'project on a page' identifying the key work streams and indicative timeframes for delivery of material.

The revaluations of assets - a critical component of budget development was brought forward, meeting the needs of our Annual Report project and the Long Term Plan.

The project timeline has been designed for 'early delivery' of the Long Term Plan. This means that the draft documents have been delivered and scheduled for auditing slightly ahead of when they would usually be completed in the Local Government sector, this means there is for some slippage in project timeframes | Possible | Significant | Minor | Sandra Harris

Danny Anglesey

Susanne Kampshof | Project team meetings or project milestones | Open | 28/5 – the LTP project is on track to be adopted by Council on 27 June.

16/2 –The Project is on track to go out for consultation 28/3

24/11 – Project is on track to have all key documents approved by Council 13 December.

20/9/17 – AAL not received. Staff will provide an update at the October meeting.

First cut budgets were presented to Council in July/August, and Second Draft is on track for discussion with Council in November.

8/6/17 The project is on track with first cut budgets expected in July, as scheduled.

Audit NZ has indicated that the Audit Arrangement Letter will be delayed due to OAG delay in preparing their audit guidance for the LTP. The AAL is expected in |

9.	**Incorrect underlying information/assumptions** The underlying assumptions are critical to the completion of the long Term Plan, it is essential that we work with the best information available. If underlying information and assumptions are significantly incorrect, this will adversely affect our planning and budgeting for the Long Term Plan. This can result in the over/under allocation of resource to provide for the long term growth of our communities.	10/10/16	Project team	Moderate	Moderate	(Moderate)	Information on the underlying information and assumptions will be obtained through expert demographers and using approved inflation assumptions. At the start of the project, elected members will be briefed on demographic projections (age structure, population projections, specific areas of growth and decline, household size, dwelling types), district economy and lifestyle trends.	Possible	Moderate	Moderate	Sandra Harris Danny Anglesey Susanne Kampshof	Project team meetings or project milestones	Open	July/August. Risk to be reviewed by the project team at each meeting 28/5 – the assumptions have been reviewed internally with some having external review. The underlying information was approved by Council in March 2018. 16/2 Audit of the CD and underlying information has been completed and Audit NZ will update the committee at the time of the meeting. 24/11 – Assumptions used for the LTP and associated documents were received by Committee in October. 19/9/17 – An update report on all assumptions will be discussed with Audit & Risk in October. 8/6/17 Council has adopted the population projections independently prepared by Rationale. Financial assumptions will be discussed with ARC in June.

										Risk to be reviewed by the project team at each meeting

Attachment A

| 10 | **Authority/CF Asset System Failure resulting in capitalisation difficulty** | 10/10/16 | Project team | Moderate | Minor | (Minor) | The Budgets and Capitalisation can be completed manually. | | Minor | Minor | Danny Anglesey

Susanne Kampshof | April 2017 | Closed – pending advice from IT of any other upgrades | 28/5 –ongoing monitoring. No issues have arisen to date.

20/9/17 – Authority 7 upgrade was completed in June.

Risk to be reviewed by the project team at each meeting.

April '17 - Current risk is around the Authority 7 upgrade being completed in June. Although testing of the update has been done - This may delay the first cut of budgets, through systems issues or diverting staff time from the LTP project to deal with other matters. |
| 11 | **New issues may arise during the consultation process** | 15/2-18 | Project Team | (Moderate) | Minor | Minor | Potential new issues raised will be considered as part of the submission process which includes getting managers comments including potential impact on budgets, before Council considers all submissions and makes decisions. Final decisions will be incorporated into the final LTP for adoption by 30 June. | Moderate | Minor | Minor | Sandra Harris | Project team meetings or project milestones | Open | 28/5 –the communication plan has been implemented. Council received 198 submissions, with 221 submitters. Various issues were raised by submitters however no major changes were made to the Long-Term Plan as a result. Due to the low level of changes the Long Term Plan financial have not been updated.

16/2 New risk added |

Item 6.6

Management Report and Letter of Representation - Long Term Plan 2018-28

Trim No.: 2012665

Executive Summary

The purpose of this report is for the Audit and Risk Committee to receive and consider the Management Report and/or Letter of Representation for the audit of our Long Term Plan. The Management Report and/or Letter of Representation sets out Audit NZ's findings and Councils responsibilities and where appropriate makes recommendations for improvement.

The Management Report and/or Letter of Representation will be circulated prior to or tabled at the meeting.

Recommendation

That:
1. **The information be received.**
2. **The Audit and Risk Committee considers providing feedback to Council regarding the Management Report and/or Letter of Representation for the Long Term Plan 2018-28.**

Content

Background

Audit New Zealand audited our Consultation Document for the Long Term Plan in January/February 2015. On 7 March 2018 they provided an unmodified audit opinion on our Long Term Plan Consultation Document, which means that they are satisfied that it meets the statutory purpose and provides an effective basis for public participation. The audit of the final Long Term Plan took place in May/June following Council decisions on the submissions. Council is due to adopt the Long Term Plan on 27 June.

The Letter of Representation sets out the Council's responsibilities under the Local Government Act 2002 (the Act) to report on the extent to which the Long Term Plan gives effect to the purpose set out in section 93(6) of the Act; and quality of information and assumptions underlying the forecast information provided in the Long Term Plan.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Niall Baker	
	Acting Senior Policy Planner	

Approved by	Sandra Harris	
	Acting Strategic Policy Manager	
	Don McLeod	
	Chief Executive Officer	

Item 6.7

Risk Management Update

Executive Summary

The Audit and Risk Committee reviewed the Risk Policy and risk framework in 2017.

The proposed Risk Management plan and Risk Management Improvement plan are attached for the Committee's approval

Recommendation

That:

1.   **The revised Risk Policy and Risk Management Plan be adopted.**

2.   **The Risk Improvement Plan be approved.**

Content

Background

The Audit and Risk Committee has been reviewing risk management practice in the organisation to ensure:

- There a robust system for managing risk in place

- The system is operating effectively

- The framework is clear and universally understood.

The conclusions reached through the reviews are:

- There is considerable activity in risk management occurring in the organisation.

- There are numerous gaps and opportunities for improvement

- Risk management across the organisation or at an enterprise level, is not operating to the level and standard we desire.

It was agreed that we would:

1. Review and Simplify the Risk Management Framework, Policy and Plan

2. Communicate and educate staff

3. Implement the changes and improvements

The Risk Management Policy is attached for information. Only one minor change is proposed.

The Risk Management Plan and Risk Improvement Plan are attached for the Committee's approval.

Issues

Risk Policy

The attached risk policy incorporates the changes the Audit and Risk Committee recommended in 2017. One minor wording change is to change Risk Action Plan in Section 5 to Risk Improvement Plan.

When the Risk Management Plan was completed it was decided to have two Plans:

- Risk Improvement Plan – one overall plan of actions to improve risk management practice in the organisation.
- Risk Action Plan – there will be multiple action plans (potentially one per department) which are focused on treating, transferring or terminating risks.

Risk Management Plan

The revised plan incorporates major changes from the previous version (2013).

The latest version focuses on how the Risk Policy should be implemented in practice.

There are clearly further improvements that can be made to the Risk Management Plan.

It is felt that the plan should be adopted and released for implementation. The plan can then be improved or modified through the learnings gained from this process.

Note that management practices in the Plan build on processes currently underway in the organisation.

It is expected that the revised plan will lead to more consistent and robust risk management practices across the organisation.

Risk Improvement Plan

As noted earlier, the Risk Improvement Plan contains actions to improve risk management in the organisation.

Analysis

Options considered

1. The revised Risk Policy and Risk Management Plan are adopted and the and Risk Improvement Plan approved.
2. The Audit and Risk Committee identifies further work to be undertaken.

Analysis of preferred option

There is no preferred option.

Communication, consultation and decision making processes

It is expected that the implementation of the Risk Management Plan will high-light issues and further opportunities for improvement.

Any subsequent changes required to the documents will be referred back to the Audit and Risk Committee for consideration.

In this respect communication and consultation will be ongoing.

Financial Impact

i.   Cost

At this stage there are no external costs expected to arise from this process.

Attachments

A.   Revised Risk Policy 2018 Version 4

B.   Risk Management Plan 2018

C.   Risk Management Improvement Plan 2018-2019

Signatories

Author(s)	Manaia Te Wiata	
	Group Manager Business Support	

Approved by	Manaia Te Wiata	
	Group Manager Business Support	

Draft Risk Policy 2018

Department: Business Support

Policy Type: Internal policy

Version and date: Version 4, 26 June 2018

Introduction

At Matamata-Piako District Council (MPDC) we work in accordance with our values, so our vision and values are part of every day life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.

Council's vision is to make Matamata-Piako '*The Place of Choice' – Lifestyle – Opportunities – Home.* In making this vision a reality Council sees itself as enabling the community across five key themes

- Connected infrastructure
- Economic opportunities
- Healthy communities
- Environmental sustainability
- Vibrant cultural values

This vision, Council's strategies, objectives, and policies provide the context for the assessment of risks.

 This policy sets out how Council will ensure that a robust system for managing risk is in place and operating effectively.

Risk Culture

Council's expectation is that risk management in the organisation:

- Will reflect:
    - the Communities expectations of a publicly owned entity
    - the inherent nature of Council's activities which in the main revolve around long term infrastructure, regulatory services and services that the free market will not provide
    - That Council has an important stewardship role that it must exercise on behalf of the district communities
- Be an inherent part of Council's business with a level of complexity and formality that is relative to Council's operating environment and the risk consequence
- Will focus staff effort on the most important risks for the organisation

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- Is understood and supported by Council staff
- Will both minimise risks and where appropriate allow opportunities to be realised

Risk Strategy

Council will follow the principles of an enterprise risk management framework and practice to affect the likelihood and consequences of risks materialising which:

- Encompasses all activities of Council
- Is integrated across the activities
- Stratifies risk to facilitate management at the appropriate levels in the organisation as follows:
  - Strategic\Corporate
  - Operational
  - Tactical (Projects)
- Promotes transparency and clarity of risk management in the organisation.
- Promotes the opportunity for continuous improvement by encouraging the reporting of service, process or system successes and failures as learning opportunities

Objectives

1. Council will have a robust system for managing risks
2. Council will express and annually review its risk appetite as the basis for the evaluation and management of risks
3. The risk management framework will provide for :
   - The identification of risks
   - Consistent and appropriate evaluation of risks against Council's expressed risk appetite
   - Establishment of risk priorities
   - The management of risks at the appropriate level in the organisation
   - The identification and implementation of appropriate risk mitigation
4. Internal controls will:
   - Eliminate or reduce risks to a level that reflects Council's risk appetite
   - Be assessed to ensure they are cost effective
   - Be evaluated to help identify risk management improvements.
5. A risk improvement plan will be prepared annually specifying the proposed Risk Management improvements.

6. Review and reporting processes will:
   - Provide assurance that the risk management system is working effectively
   - Be structured to facilitate reporting on the achievement of objectives 1 to 5
   - Ensure risks are escalated to the appropriate level in the organisation when necessary
   - Alert management to areas of the organisation where risk management practices require attention

Risk Appetite

It is Council's view that the community expects Council to be prudent and business- like in its approach. That as an entity that can compulsorily tax ratepayers, the Community expects Council to be risk averse where there is a high degree of uncertainty in relation to any activity, undertaking or project.

Where there is a high degree of uncertainty and Council is of the view that there are significant benefits, this shall be considered a matter of significance.

On an ongoing basis:

- Treatment strategies for risks rated as catastrophic and major shall be reported to the Audit and Risk Committee and Council for confirmation.
- Treatment strategies for risks rated as significant shall be reported to the Executive Team for confirmation.

The Audit and Risk Committee shall review the top 20 risks annually.

Risk Tolerances

Specific risk tolerances are expressed in terms of the following key risk areas and indicators:

Health & safety – Council has zero appetite for death, serious harm or injury to its employees, contractors and customers. Council expects that these risks will be mitigated as low as practically possible.

Council water supplies – Council has zero appetite for contamination that results in Council supplied water being unsafe to consume. Council's objective is to mitigate risks to achieve this outcome.

Road safety - No serious-injury or fatality accidents on Council roads shall be attributable to road design where improvement works have been undertaken or inadequate road maintenance.

Road access – for roads rated as Secondary collector or above in the One Network Road Classification – the route will be available in moderate weather events and alternative route will be available. Clearance of incidents affecting road users and road user information will have a high priority

Legislative compliance – Council expects the organisation to comply with all relevant legislative requirements in the conduct of its business. This risk of non-compliance will be mitigated as low as practically possible.

Financial – Investment and borrowing risks shall be managed in accordance with the respective policies. Adequacy of insurance cover shall be reviewed by the Audit and Risk Committee annually. Procurement risk shall be managed in terms of the Procurement Policy. Internal controls shall mitigate the potential for financial loss and/or over expenditure to a moderate level.

Reputation\Image – the Audit and Risk Committee shall overview Council's Fraud and Protected Disclosures Policies. Council expects the organisation to achieve:

- An unqualified audit opinion for the annual report

- Recognition by the external auditor as posing a low risk
- A minimum of a BBB in the Local Government Excellence programme
- Recognition by an appropriately qualified external agency that Council has a continuous improvement environment
- Recognition by an appropriately qualified external agency that Council manages Health and Safety appropriately

Operational resilience – Business continuity plans shall be targeted to ensure the following:

- Water Supply – potable water is available for essential domestic use for Council water supplies within 12 hours of any major infrastructural or treatment failure including natural disaster equivalent to a 1: 200 Year event
- Administration services shall be available in the district during normal operational hours within 24 hours of a 1:200 year event.
- Information services – business critical applications shall be available within 24 hours except in the case of where both the Te Aroha office and Waihou back-up site are disabled. In this case applications shall be available within 20 days.
- Wastewater Treatment – contingency plans shall be agreed with the Waikato Regional Council.

Where there is any question whether a risk tolerance level can be achieved or a risk mitigated to a level that is acceptable to Council, the matter will be specifically referred to Council.

Risk Rating

Risks shall be categorised and rated in accordance with the definitions contained in Appendix A.

Risk Roles and Responsibilities.

Council shall:

- Approve the risk policy and risk management plan (incorporating the risk management framework)
- Annually review the top 20 risks

The Audit and Risk Committee shall:

- Annually review the strategic approach to risk, risk policy (including risk appetite), risk management plan and risk action plan and make recommendations to Council
- Annually review the effectiveness of risk management in the organisation including the extent to which risk objectives are being met
- Initiate actions as appropriate to obtain assurance that the risk management system is operating appropriately

The Chief Executive officer shall:

- be responsible for the overall management of risk in the organisation.
- determine how risk management activities will be coordinated in the organisation
- allocate resources to achieve the objectives of the risk policy

Risk Management Sponsor

This position will be held by an Executive Team member and will support the delivery and operation of Risk Management activities.

The Risk Management Sponsor will:
- Facilitate the integrated management of risk management across the organisation
- Identify strategies to build the risk aware culture in the organisation
- Provide a knowledge base for risk management and identify good practice standards and guidelines.
- Manage the Corporate risk register
- Report to the Chief Executive Officer on the state of risk management processes
- Prepare and report against the Risk Action Plan.
- Provide advice to the Quality Coordinator on the focus of the internal audit plan.
- Collate information and report to the Chief Executive Officer on the achievement of risk objectives
- Coordinate communications, training, education and risk management initiatives across Council

Executive Team Members

The Executive Team members will undertake a leadership role for risk management in the organisation and:
- Promote awareness of the risk culture, Council's risk appetite and risk management in the organisation
- Regularly monitor and review the Corporate risk register including the top 20 risks in the organisation
- Ensure compliance with risk management practices and procedures within their respective Groups
- Promote a learning culture where process or system successes or failures provide an opportunity to improve

Management
All managers and team leaders across MPDC are required to understand and apply the Risk Management framework to their areas of operational responsibility, to ensure that MPDC's objectives are achieved.

Each unit Manager is responsible for:
- Ensuring risk management is applied in their environment and maintaining their sections of the risk register accordingly.
- Promoting risk management to their staff
- Appointing risk owners
- Taking the required action to identify and disclose new risks and uncertainties.
- Working with the Risk Management Sponsor to monitor, identify and report on risk through the appropriate mechanisms
- Submitting the highest risk processes for annual internal audit from their respective areas

- Promote a learning culture by encouraging the reporting and disclosure of successes or failures as an opportunity to improve

Health and Safety manager

The Health and Safety Manager shall be responsible for ensuring that the process for health and safety risk and hazard assessments reflect Council's risk appetite and tolerances.

Staff

Every staff member has a responsibility to participate in the identification, mitigation and management of risks. All staff are required to understand and apply the Risk Management framework to their areas of responsibility, to ensure Council's objectives are achieved.

Staff are encouraged to embrace a learning culture where success and/or failure is an opportunity for improvement.

Staff will be appointed as Risk Owners for specific risks within their area of responsibility. They will be responsible for ensuring that:
- Risk Information is kept up to date and relevant
- Ensuring mitigating action is carried out
- Reviewing risk and updating the risk registers.

Relevant Legislation
Section 14 of the Local Government Act 2002 sets out certain principles that Council must follow. Risk management is a fundamental business practice that assists Council to adhere to those principles.

Related Policies, Strategies or Guidelines

The specific risk management strategies and processes are contained within the following:

Investment Policy
Borrowing Policy
Fraud Policy
Protected Disclosures Policy
Procurement Policy
Contract Management Policy

Council's Vision, Long Term Policy, Annual Plan , Strategies and Policies provide the context for risk assessment.

Audience

This policy applies to all Council employees and elected members in their work for MPDC.

Measurement and Review

The operation and effectiveness of this policy shall be reported in accordance with Objective 6 above.

The Audit and Risk Committee shall review the policy annually and recommend any improvements or changes to Council.

Effects and Risks

This policy provides the basis for assurance to Council, auditors and the community that the organisation has robust risk management processes in place.

Failure to follow this policy could result in inconsistent or inadequate assessment of risks in the organisation.

This could result in an un-acceptable level of risk exposure.

Relevant Legislation

- Local Government Act 2002

- Health and Safety at Work Act 2015

Authorisation

Authorised by : Audit & Risk Committee

Signed:_____   _____

          Don McLeod - CEO   Manaia Te Wiata –

                                        Group Manager Business Support

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Matamata Piako District Council

Risk Management Plan

DOCUMENT HISTORY

VERSION CONTROL

VERSION	DATE	UPDATED BY	SECTION / PAGE / DETAILS
1.0	Oct 2010	D Harris	
2.0	Dec 2013	D Harris	Multiple minor changes
3.0	Nov 2017	M Te Wiata	Major changes, alignment with revised Risk Policy

SIGN OFF

NAME	POSITION	SIGNATURE	DATE
Audit & Risk Committee			Dec 2013

APPROVALS

NAME AND FUNCTION	SIGNATURE	DATE
D McLeod – Chief Executive		

INTRODUCTION

This Risk Management Plan provides the linkage from the Risk Policy to the operation of the Risk Management process.

It defines the systems and processes for on-going Risk Management.

The plan contains Council's risk management framework. It is intended to provide a clear and practical guide to staff to manage risks.

It is important that managers are fully conversant with the Risk Policy so that they can understand Council's requirements.

Managers can then guide staff to ensure risk management practice is consistent with the policy.

One of the key risk management strategies is that service, process or system successes and failures are learning opportunities.

This applies to this Risk Management Plan.

Learnings from the implementation of the risk management framework will be used to shape and amend the plan.

CONTENTS

Purpose

The purpose of the Risk Management Plan is to ensure risk management practice in the organisation is aligned to the Risk Policy.

The plan specifically describes:
- the risk management framework
- how Council's Risk Policy objectives will be achieved
- specific risk management processes

A key risk management concept described in an NZ Transport Agency report on risk management is:

"…*the key to reducing risk is to convert outputs into definitive actions*"[1].

-
The Risk Management Plan should allow all stakeholders to understand how actions arising from the risk management process will be:

1. identified
2. implemented
3. monitored
4. reported

RISK MANAGEMENT POLICY OBJECTIVES (and how they will be measured)

Objective	Expected State	Key Performance Indicator
1. Council will have a robust system for managing risks	• Operational risk priorities will align with Strategic\Corporate risk priorities • Risk registers are reviewed annually • Changes in Council objectives or activities are reflected in risk registers	1.1 Five operational risk registers audited per year. 1.2 Audit confirming the top 5 risks for each Department. 1.3 Sample audit tracing changes in objectives or activities through to the risk register and

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[1] Case studies and best practice guide-lines for risk management on road networks, NZ Transport agency report 415 , 2010

	• Risk assessment processes comply with the risk management plan	confirming that risks have been modified.
	• Risk treatments are operable. • Risk management is an inherent part of project management	1.4 Audit of risk assessments for a sample of the top risks for each register; top 3 projects.
2. Council will express and annually review its risk appetite as the basis for the evaluation and management of risks	Risk appetite is on the annual Audit and Risk Committee annual work programme	2.1 Risk appetite reviewed in accordance with Audit and Risk work programme.
3. The risk management framework will provide for : ▪ The identification of risks ▪ Consistent and appropriate evaluation of risks against Council's expressed risk appetite ▪ Establishment of risk priorities ▪ The management of risks at the appropriate level in the organisation ▪ The identification and implementation of appropriate risk mitigation	Risk Management Plan contains all information.	3.1 Risk management plan reviewed annually by the Audit & Risk Committee.
4. Internal controls will: • Eliminate or reduce risks to a level	Risks in line with Council risk appetite.	4.1 Sample of risk reviews\action plans to be audited

that reflects Council's risk appetite		
• Be assessed to ensure they are cost effective	Managers have considered options when determining controls as per the Risk Action Plans.	
• Be evaluated to help identify risk management improvements	Risk Improvement plan reflects learnings.	
5. A risk improvement plan will be prepared annually specifying the proposed risk improvements.	Approved risk improvement plan in operation.	5.1 Risk improvement plan approved by Audit and Risk Committee.
6. Review and reporting processes will: • Provide assurance that the risk management system is working effectively • Be structured to facilitate reporting on the achievement of objectives 1 to 5 • Ensure risks are escalated to the appropriate level in the organisation when necessary • Alert management to areas of the organisation where risk management practices require attention	Audit and Risk Committee endorses risk management system. Risk escalations are occurring and are actioned. Residual risks changed as per the Risk Action Plans.	6.1 Risk report submitted to the Audit and Risk Committee in accordance with work programme. 6.2 Audit of a sample of risks.

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RISK MANAGEMENT FRAMEWORK – At a glance

Mandate·and·commitment¶

Risk·Policy·reviewed·by·Audit·and·Risk·Committee.¶

approved·by·Council¶

Framework·for·managing·risks¶

Risk·=·effect·of·uncertainty·on·objectives¶
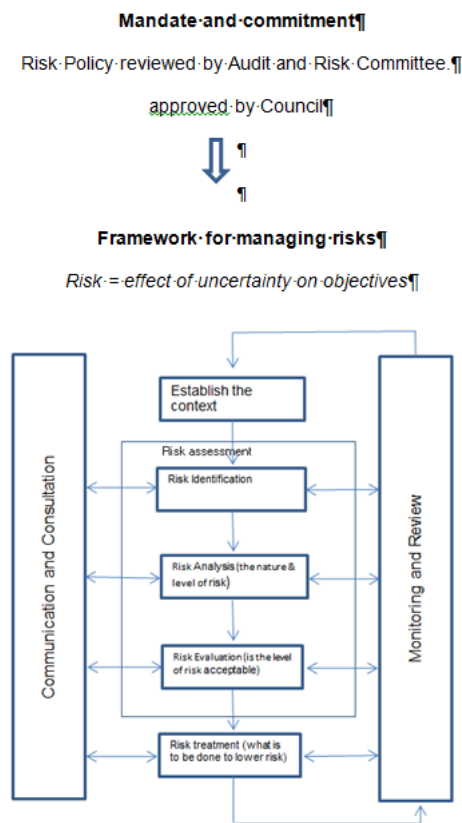
Adapted from Figure 1 of AS/NZS ISO 3000:2009

What should staff focus on?

Understand what Council expects – the risk culture, the risk strategy, the risk objectives.

Understand what is expected of you (ie what is your role)

Keep this in mind when you are identifying and assessing risks.

Your objectives should link to a Council objective. Your risks should link to your objectives.

Make sure you identify the most important risks.

Figure 1

Understand Council's risk tolerances and thresholds when you evaluate the risk. If in doubt, check with your manager.

DEFINITIONSn

Note:
Definitions are detailed in the **Joint Australian/New Zealand International Standard - Risk Management – Principles and Guidelines, pp 2-8 [AS/NZS ISO 31000:2009]**

Controls
Are the existing processes, policy, devices, practices or other actions that combine to minimize negative risks or enhance positive opportunities.

Impact (or consequence)
The outcome of an event which impacts on an objective either positively or negatively. The impact may be certain or uncertain and may be expressed qualitatively or quantitatively.

Inherent Risk
The initial assessment of the impact and likelihood of a risk prior to considering any existing controls, i.e. in the absence of controls; sometimes referred to as Gross risk.

Likelihood
The chance of something happening; whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically.

Residual Risk
The impact and likelihood of a risk, taking into account existing controls and is sometimes referred to as residual risk. That treatment might include avoiding, modifying, sharing or retaining the risk. This is sometimes referred to as Net Risk.

Risk Assessment
The overall process of identifying, analysing, and evaluating risks. It may also be referred to as a 'risk analysis' or 'risk evaluation' or 'risk profile' and may involve a qualitative and/or quantitative assessment.

Risk
A threat or enabler to the achievement of an objective. That objective can have different aspects (such as financial, health and safety, and reputational goals) and be of various types, e.g. strategic\corporate, operational and project. A risk is often specified in terms of an event or circumstance and the impact or consequences that may flow from it. It is measured in terms of a combination of the impact or consequence of an event and its likelihood.

Risk Owner
The person or entity (e.g. Project Managers) with the accountability and authority to manage a risk.

Risk Register
A documented record of each risk identified. It details identification, analysis, assessment, modification and long term monitoring of the risks identified.

TYPES OF RISK

Strategic Risk\Corporate Risks

These are risks that:
- link directly to Council's strategic goals and objectives, or
- impact multiple areas of the organisation and
- are monitored by the Executive Team.

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Operational Risks

These risks are inherent in the ongoing operation activities that are managed at a third tier level and below. Operational risks are expected to be derived directly from objectives in the Units Activity or Business Plan. It is expected that Operational Risks will link to Strategic\Corporate risks and are at a more detailed level. The operational risk register is Promapp.

Project Risks (or Tactical Risks)

Are risks specifically related to individual projects. The risks will typically fall into common categories eg health and safety; financial, procurement etc. It is expected that the risks will expire when the projects is completed or will transfer to the Operational risk register. Project risks management is addressed as part of the Project manual.

1. GOVERNANCE AND MANAGEMENT

Specific roles and responsibilities for Risk Management are as follows:

Table 1   Risk Management related Roles

The Elected Council	- Set the risk appetite, approve the risk policy, and risk management plan (incorporating the risk management framework) - Annually review the top 20 risks
Audit and Risk Committee	- Annually review the strategic approach to risk, risk policy (including risk appetite), risk management plan and risk action plan and make recommendations to Council - Annually review the effectiveness of risk management in the organisation including the extent to which risk objectives are being met - Initiate actions as appropriate to obtain assurance that the risk management system is operating appropriately
Chief Executive Officer	- be responsible for the overall management of risk in the organisation. - determine how risk management activities will be coordinated in the organisation - allocate resources to achieve the objectives of the risk policy
E-team	- Promote awareness of the risk culture, Council's risk appetite and risk management in the organisation - Regularly monitor and review the Corporate risk register including the top 20 risks in the organisation - Ensure compliance with risk management practices and procedures within their respective Groups - Promote a learning culture where process or system successes or failures provide an opportunity to improve
Risk Sponsor	- Facilitate the integrated management of risk management across the organisation - Identify strategies to build the risk aware culture in the

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	organisation • Provide a knowledge base for risk management and identify good practice standards and guidelines. • Manage the Corporate risk register • Report to the Chief Executive Officer on the state of risk management processes • Prepare and report against the Risk Action Plan. • Provide advice to the Quality Coordinator on the focus of the internal audit plan. • Collate information and report to the Chief Executive Officer on the achievement of risk objectives • Coordinate communications, training, education and risk management initiatives across Council
Managers	• Ensuring risk management is applied in their environment and maintaining their sections of the risk register accordingly. • Promoting risk management to their staff • Appointing risk owners • Taking the required action to identify and disclose new risks and uncertainties. • Working with the Risk Management Sponsor to monitor, identify and report on risk through the appropriate mechanisms • Submitting the highest risk processes for annual internal audit from their respective areas • Promote a learning culture by encouraging the reporting and disclosure of successes or failures as an opportunity to improve
Health & Safety Manager	• The Health and Safety Manager shall be responsible for ensuring that the process for health and safety risk and hazard assessments reflect Council's risk appetite and tolerances.
Council Staff	• Participate in the identification, mitigation and management of risks. • Understand and apply the Risk Management framework to their areas of responsibility • Staff are encouraged to embrace a learning culture where success and/or failure is an opportunity for improvement. Staff will be appointed as Risk Owners for specific risks within their area of responsibility. They will be responsible for ensuring that: • Risk Information is kept up to date and relevant • Ensuring mitigating action is carried out • Reviewing risk and updating the risk registers.

Table 1

2.   RISK MANAGEMENT SYSTEM

2.1 Risk Culture in practice

The risk policy describes the risk culture that Council expects in the organisation. The table below provides guidance on the implications of these expectations on risk management.

Council expectation	Management\Staff considerations
1. Risk management will reflect: ▪ the Communities expectations of a publicly owned entity ▪ the inherent nature of Council's activities which in the main revolve around long term infrastructure, regulatory services and services that the free market will not provide ▪ That Council has an important stewardship role that it must exercise on behalf of the district communities	In considering the types of risk and levels of risk exposure, staff should reflect on what our community might say if a particular risk materializes – eg "What would this look like on the front page of the newspaper?" Council activities in the main are not subject to the competitive pressures of the free market. The need for many of the services we provide is likely to continue for the foreseeable future eg water supply, waster water, parks and reserves. This is part of the context for the identification and rating of risks ie a relatively high degree of certainty for the continuation of many services. There are some activities where the risks are the same or similar to the wider business community eg Health and Safety, IT security, Financial risks, HR risks. '
• Be an inherent part of Council's business with a level of complexity and formality that is relative to Council's operating environment and the risk consequence	We manage risk in our jobs every day. We want the management of key risks to be structured, methodical, traceable. If an external party were to review or audit our risk management, we would expect that they would conclude that our risk management practice is actively and appropriately applied. It is not a "task" that is done once every six or 12 months. General approach - risk assessments should be more robust\quantitative where • the greater the consequences

	• the larger the investment • the longer the life of the asset • the greater the uncertainty
• Will focus staff effort on the most important risks for the organisation	If a risk doesn't link to an objective, is it important? Rate risks in accordance with Council's risk appetite and tolerances. Then make sure we deal with the priorities.
• Is understood and supported by Council staff	We are more likely to achieve Council's objectives if we manage risks the way Council wants.
• Will both minimise risks and where appropriate allow opportunities to be realised	While we want to eliminate or minimize risks, we also need to consider the potential benefits or rewards of accepting some risk. Staff should clearly record when they believe it is worthwhile to accept a level of risk because the benefits are worth it. This should then be discussed with the appropriate Group Manager. For example the introduction of a new technology or business application. The potential pay-off in customer service or efficiency may be worth accepting the risk associated with introducing new technology.

Table 2

2.2   Risk strategy

Council will follow the principles of an enterprise risk management framework and practice to which:

- Encompasses all activities of Council

- Is integrated across the activities

- Groups risks into the following levels :

  - Strategic\Corporate

  - Operational

- - Tactical (Projects)

- Promotes transparency and clarity of risk management.

- Promotes continuous improvement by encouraging the reporting of service, process or system successes and failures as learning opportunities

The following diagram illustrates how it is intended to achieve the first 3 bullet points:

Establishing the context

Organisation Context

Where are we going? **Vision** (Aspirational)

What are we trying to achieve? **Mission Statement / Themes and Objectives** (Community Outcomes linked to the Vision)

What is most important? **Strategic priorities**

How are we going to get there? **Strategies Policies Plans** that align with our vision, outcomes and priorities

What are we doing to get there? **Council activities (LTP) / Operational Projects and Budgets** that align to Strategies, Policies and Plans

Activity & Business Plans

Strategic Risks

Tactical (Project) Risks

Operational Risks

Figure 2

The risk management plan is the most important tool to promote clarity and transparency of risk management in the organisation.
Leadership by all managers in promoting a "no blame" culture is the most critical factor to create a learning organisation.

2.3   Risk Context

Figure 2 illustrates the relationship between Council's vision, strategies, policies and plans to our operations.

These documents provide much of the context for our risks.

Importantly, risk is the effect of uncertainty on objectives.

Your Activity or Business Plan should have objectives that link to Council's strategies , policies and plans.

If this linkage does not exist, there is the potential that you may be focusing on the wrong risks ie risks that are not important to Council.

This is your starting point for Strategic or Operational risks:

- Review your risks in your Activity or Business Plan.
- Check that these link to a Council strategy, policy or plan.

For Project risks, it is also very important that you have a clear understanding of the objectives of the project.

2.4   Risk Identification

Once you have listed your objectives, complete the following template:

Objective	Risk Sources	Potential causes of events	Potential events	Consequence of each event	Possible impact on objectives	Name the risk
1						
2						
3						

Table 3

Risk sources – examples of safety related sources are:

- Products
- Plant and equipment
- Human
- Tools
- Occupational Health

Events - an event is an occurrence or change of particular circumstances. Examples of an event may be a storm, loss of power, a change in interest rates etc.

Consequences

The Risk Management standard defines consequences as the "outcome of an event affecting objectives".

If a consequence does not affect objectives it may indicate that there is no risk or that there is a missing objective.

This should be discussed with a Group Manager.

Clarity of the risk

In working through this template you may find risk sources are also causes or consequences of risks.

This is not a problem.

Completing the template is likely to be an iterative process.

This is important as it should help to get clarity on the risk we are trying to mitigate or treat.

For example, there will be a risk that an earthquake of a particular scale will occur in our district. Council does not have an objective to reduce the scale of earthquakes.

Council does have an objective to provide potable water for Council water supplies.

An earthquake could impact on our ability to achieve this objective.

In this case a natural disaster is the source and cause of the risk, an earthquake is an event. A storm or volcanic eruptions may also be events.

The generic risk is the failure to deliver potable water for Council water supplies in the event of a natural disaster.

Importantly the risk treatments will focus specifically on Council's objective to deliver potable water.

These risk treatments could be different if the risk was described as – the risk of a natural disaster.

2.5   Risk Analysis

Risks will be managed following an assessment of:
- the impact (or consequence) and likelihood ratings for each risk as shown in appendix A.
- the effectiveness of existing controls.

Appendix B illustrates how risks are classified (e.g. major, minor etc.) once the risk analysis has been completed.

The risk assessment process starts by identifying the appropriate risks. These risks are then rated as **"Inherent Risks"** – i.e. the impact and likelihood of these risks are assessed without taking into account the controls that currently exist to mitigate the risk.

You then assess the effectiveness of the controls to determine the **"Residual Risk".**

Step 1: Determine the impact of the risk
Determine the impact the risk would have by referring to the risk ratings and criteria in Appendix A.

Seven key types of possible impacts have been identified:
- Financial and Economic
- Health and Safety,
- Human Resources
- Legal
- Reputational/ Image,
- Operational,
- Natural environment

together with 5 levels of impact for each type – from "Minor" to "Catastrophic".

Impact Level
Catastrophic
Major
Significant
Moderate
Minor

Table 4   Risk Impact levels

It should be noted that each type of impact must be considered separately, and comparison is not made between them. For example, whilst it is suggested that a risk with an economic impact greater than $5m is critical, this does not mean that the financial value of the other critical impacts (such as "Serious or sustained public and media attention") is also valued at greater than $5m.

Step 2: Determine the likelihood of the risk occurring

The second axis on which the risk is assessed is the likelihood of the risk occurring. The following definitions of likelihood have been agreed:

Rating	%	Likelihood Criteria (within 12-24 months)
5	90 - 100	Almost certain
4	75 - 90	Likely to occur
3	25 - 75	Moderate chance of occurrence
2	10 - 25	Unlikely to occur
1	0 - 10	Rare

Table 5   possibilities of risk occurring

Step 3: Multiply the Impact and Likelihood Ratings to produce the Risk Rating

This final step gives the Overall risk rating by combining the impact and likelihood figures

Impact x Likelihood = Overall Risk Rating

Given that we have used a five-scale rating for Impact and Likelihood, this will result in a number between 1 and 25.

Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Likely hood				

Table 6   Overall Risk Rating

The following definitions have been agreed to categorise the overall risk ratings.

Risk Rating	
16 to 25	Catastrophic
10 to 15	Major
5 to 9	Significant
3 to 4	Moderate
1 to 2	Minor

Table7 Risk Rating categories

Key points to note when applying risk ratings

a)   Risks that are rated 16 to 25 for the Residual Risk will be automatically taken forward into the Action Planning stage.
b)   Any risks that are rated 10 to 16 will be referred to the Risk Management Sponsor for possible inclusion in the Action Planning stage

c)   For both Inherent and Residual Risk Ratings, when assessing a general risk (such as, "Critical ICT system failure resulting in loss of critical data"), the impact and likelihood of the event will vary widely, depending on the exact nature of the event. It is not practical to attempt to define all ICT system failure events that may lead to loss of data since many will not be of sufficient significance to warrant this effort. Therefore, the approach is to apply the lowest Impact and Likelihood Ratings that will still result in the risk being rated as Significant or above categories.

Either:

"Impact = 3, Likelihood = 3, Risk Rating = 9" OR
"Impact = 2, Likelihood = 4, Risk Rating = 8" OR
"Impact = 4, Likelihood = 2, Risk Rating = 8"

At the Action Planning stage, management can then determine what type of events would fall into the category, based on the Impact and Likelihood definitions.

2.6   Risk Evaluation and Action Plan

Once you have assessed the net risk , a decision can be made on the action to be taken.

The following table indicates the types of decisions that can be made:

Threat	Generic strategy	process
Tolerate	Accept Take the risk	Make a conscious decision to not take any action
Treat	Accept Change size	Take some actions to lessen or minimize its likelihood or impact.
Transfer	Involve others Pass on to others	Pass the risk to another individual or organization, by, for example, outsourcing the activity.
Terminate	Eliminate	Ceasing to perform the activity causing the risk if possible

Table 8   Risk Management methods

In this risk management process the key to reducing risk is to identify and implement actions.

We need to take the outcome of the assessment process and make a decision on whether the residual risk is acceptable.

We must have regard for Council's risk appetite and tolerances from the risk policy

Risk Appetite (from the Risk Policy)

It is Council's view that the community expects Council to be prudent and business- like in its approach. That as an entity that can compulsorily tax ratepayers, the Community expects Council to be risk averse where there is a high degree of uncertainty in relation to any activity, undertaking or project.

Where there is a high degree of uncertainty and Council is of the view that there are significant benefits, this shall be considered a matter of significance.

Risk Tolerances

Specific risk tolerances are expressed in terms of the following key risk areas and indicators:

Health & safety – Council has zero appetite for death, serious harm or injury to its employees, contractors and customers. Council expects that these risks will be mitigated as low as practically possible.

Council water supplies – Council has zero appetite for contamination that results in Council supplied water being unsafe to consume. Council's objective is to mitigate risks to achieve this outcome.

Road safety - No serious-injury or fatality accidents on Council roads shall be attributable to road design where improvement works   have been undertaken or inadequate road maintenance.

Road access – for roads rated as Secondary collector or above in the One Network Road Classification – the route will be available in moderate weather events and alternative route will be available. Clearance of incidents affecting road users and road user information will have a high priority

Legislative compliance – Council expects the organisation to comply with all relevant legislative requirements in the conduct of its business. This risk of non-compliance will be mitigated as low as practically possible.

Financial – Investment and borrowing risks shall be managed in accordance with the respective policies. Adequacy of insurance cover shall be reviewed by the Audit and Risk Committee annually. Procurement risk shall be managed in terms of the Procurement Policy. Internal controls shall mitigate the potential for financial loss and/or over expenditure to a moderate level.

Reputation\Image – the Audit and Risk Committee shall overview Council's Fraud and Protected Disclosures Policies. Council expects the organisation to achieve:

- *An unqualified audit opinion for the annual report*

- *Recognition by the external auditor as posing a low risk*

- *A minimum of a BBB in the Local Government Excellence programme*

- *Recognition by an appropriately qualified external agency that Council has a continuous improvement environment*

- *Recognition by an appropriately qualified external agency that Council manages Health and Safety appropriately*

   Operational resilience – Business continuity plans shall be targeted to ensure the following:

- *Water Supply – potable water is available for essential domestic use for Council water supplies within 12 hours of any major infrastructural or treatment failure including natural disaster equivalent to a 1: 200 Year event*

- *Administration services shall be available in the district during normal operational hours within 24 hours of a 1:200 year event.*

- *Information services – business critical applications shall be available within 24 hours except in the case of where both the Te Aroha office and Waihou back-up site are disabled. In this case applications shall be available within 20 days.*

- *Wastewater Treatment – contingency plans shall be agreed with the Waikato Regional Council.*

Where there is any question whether a risk tolerance level   can be achieved or a risk mitigated to a level that is acceptable to Council, the matter will be specifically referred to Council.

The Risk Action plan will include the tasks required to treat, transfer or terminate risks. Each Risk Owner who has determined that the level of residual risk is not able to be tolerated, shall have a Risk Action Plan.

Issues to be considered in the Risk Action Plan are:
- The residual risk,
- Its implications for Council,
- The methods proposed for reducing the risk
- Cost of risk reduction

Risk Action plans should be approved by an Executive Team member.

2.7   Risk Improvement Plan

The Risk Improvement Plan will contain improvements and projects related to the overall risk management system

The Risk Improvement Plan will be prepared and managed by the Risk Sponsor.

3. Education, Communication & Consultation

Creating a risk aware culture is a crucial part of implementing and sustaining a robust risk management and compliance programme.

An education and communication programme will be included in the Risk Improvement Plan.

Managers and staff will be consulted on the clarity and usefulness of the risk management plan.

It is expected that this will drive changes and improvements to risk management practices and the plan.

4. Risk Management Reporting

On an ongoing basis:

- Treatment strategies for risks rated as catastrophic and major shall be reported to the Audit and Risk Committee and Council for confirmation.

- Treatment strategies for risks rated as significant shall be reported to the Executive Team for confirmation.

The Audit and Risk Committee shall review the top 20 risks annually.

5. Appendices
Appendix A: MPDC Risk Impact Criteria and Likelihood Ratings
Appendix B: Overall Risk Rating Matrix
Appendix C: Types of Risks

Appendix A   Risk Impact Criteria

Risk Impact Criteria				
Catastrophic	**Major**	**Significant**	**Moderate**	**Minor**
Rating 5	4	3	2	1
Financial / Economic Loss of $5m or greater in any 12 month period	Loss $1m to $5m in any 12 month period	Loss $250k to $1m in any 12 month period	Loss $50K to $250k in any 12 month period	Loss less than $50k in any 12 month period
Health & Safety Loss of life. Event report and event investigation to Health & safety Executive	Serious harm event with 3 + months time off Serious harm event report and investigation submitted to Health & Safety Executive	Incident requiring significant medical attention and 2 weeks to 3 months time off. Event report and investigation to Health & Safety Executive	Incident requiring moderate medical attention and up to 2 weeks time off. Event report to Health & Safety Executive.	Minor incident, no medical attention needed. Event report to Health & Safety Executive
Human Resources Permanent staff turnover exceeds 30% p.a.	Permanent staff turnover 20 to 30% p.a.	Permanent staff turnover 15 to 20% p.a.	Permanent staff turnover 10 to 15% p.a.	Permanent staff turnover of 0 to 10% p.a.
Legal MPDC sued or fined in excess of $5m	MPDC sued or fined between $1m and $5m	MPDC sued or fined between $50k and $1m	MPDC sued or fined between $50k and $250k	MPDC sued or fined less than $50k
Reputation / Image Insurmountable loss in community confidence Negative media coverage nationwide for more than 2 weeks Nationwide adverse political comment for more than 1 wk	Major loss in community confidence requiring substantial time to remedy Negative media coverage nationwide for up to 2 weeks Nationwide adverse political comments for several days	A manageable loss in community confidence Negative media coverage Nationwide for several days Regional adverse political comment for several days	Loss of confidence among sections of the community Negative media coverage nationwide for up to 2 days Local adverse political comment for 1 week	Negative reaction from individuals or local interest groups Negative regional media coverage for up to 2 days Local adverse political comment for several days
Operational Substantial loss of operational capability for over 4 weeks. Serious disruption to strategic goals and LOS	Substantial loss of operational capability for 2 to 4 weeks. Serious disruption to strategic goals and LOS	Substantial loss of operational capability for 1 to 2 weeks. Serious disruption to strategic goals and LOS	Loss of operational capability in some areas Strategic goals and levels of service temporarily affected	Isolated loss of operational capability No affect on strategic goals and only temporary affect on level of service
Natural environment Widespread irreversible damage to aquatic and/or Terrestrial ecosystems.	Widespread long term reversible damage to aquatic and/or	Widespread medium term reversible damage to aquatic and/or	Localised minor reversible damage to aquatic and/or Terrestrial ecosystems.	Localised short term reversible damage to Aquatic and/or terrestrial

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	Permanent loss of one or more species	Terrestrial ecosystems. Significant reduction in one or more species	Terrestrial ecosystems. Moderate reduction in one or more species	Temporary reduction to one species	Ecosystems. No identifiable reduction in species

Appendix A (Continued)   Risk Likelihood and Rating Criteria

Likelihood Criteria

Rating	%	Likelihood criteria (within 12-24 months)
1	0 - 10	Rare
2	10 - 25	Unlikely to Occur
3	25 - 75	Moderate chance of occurrence
4	75 - 90	Likely to occur
5	90 100	Almost certain to occur

Attachment B

Risk Rating = Impact x Likelihood

Appendix B   Overall Risk Rating matrix

Likelihood

	Minor (1)	Moderate (2)	Significant (3)	Major (4)	Catastrophic (5)
Almost certain *(5)*	Significant	Significant	Major	Catastrophic	Catastrophic
Likely *(4)*	Moderate	Significant	Major	Catastrophic	Catastrophic
Moderate chance *(3)*	Moderate	Significant	Significant	Major	Major
Unlikely *(2)*	Minor	Moderate	Significant	Significant	Major
Rare *(1)*	Minor	Minor	Moderate	Moderate	Significant
	Minor *(1)*	**Moderate** *(2)*	**Significant** *(3)*	**Major** *(4)*	**Catastrophic** *(5)*

Severity

🟥🟧	**Catastrophic and Major**	Risk treatment Strategies to be implemented by the E-team and actions taken, reported to the Risk Sponsor and to Council for their Confirmation
🟨	**Significant**	Risk Treatment Strategies to be implemented by the Activity Managers and Group Managers and actions reported to the Executive team
🟩🟩	**Moderate and Minor**	Risks generally acceptable to be managed under the normal risk Identification and Control procedures

Attachment B

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Appendix C: Types of Risk

Attachment B

Sources of Risk

When identifying risks, all sources of potential risk should be considered. Some sources of risk are generic to all parts of the organisations. These include:

Risk breakdown Structure

RBS Level 0	RBS Level 1	RBS Level 2
MPDC Risk Guide	1 Finance and Economic Risks	1.1• Fraud
		1.2• Corruption
		1.3• Crime
		1.4• Business Continuity & Resumption
		1.5• Finance
		1.6• Commercial dealings
		1.7• Business issues
	2 Health & Safety Risks	2.1• OH&S (occupational health and safety)
		2.2• OH&S Management Systems
		2.3• Hazard Management
		2.4• Manual Handling
		2.5• Health
		2.6• Rehabilitation
	3 Human Resources Risks	3.1• H R Management practices
		3.2• Recruitment
		3.3• Induction
		3.4• Training & Development
		3.5• Industrial Action
		3.6• EEO (equal employment opportunities)
	4 Legal Risks	4.1• Legal Relationships
		4.2• new legislation
		4.3• Changes to legislation
		4.4• Public Liability
		4.5• Crime
		4.6• Legal agreements
		4.7• Change of Government
	5 Reputation / Image Risks	5.1• Poor policy decisions
		5.2• Loss of corporate confidence
		5.3• Major challenge to council
		5.4• Illegal actions by staff
		5.5• Failure in finance system
	6.Environmental Risks	6.1• Natural Hazards
		6.2• Security
		6.3• Hazardous and Toxic Materials (e.g. chemicals, asbestos, gas etc)
		6.4• Public health (e.g. Legionella, food safety etc.)
		6.5• Emergency/ Disaster Management
		6.6• Environmental Management
		6.7• Waste and Refuse
	7.Operational Risks	7.1• Insurance
		7.2• Workers Compensation
		7.3• Information Technology/ Computer Systems
		7.4• Fleet
		7.5• Projects

Attachment B

		7.6• International Economics
		7.7• Market Competition
		7.8• Property and Physical Assets
		7.9• Technological Hazards

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Risk Management Improvement Plan 2018/2019

Owner: Risk Sponsor –Group Manager Business Support

Objectives	Status comments
Governance	
1. Review Risk Policy	
Organisation Risk Culture	
2. Introduce the revised risk policy and risk management plan to the organisation.	
3. Promote a "no blame" culture to encourage reporting of service, process or system failures	
Management System	
4. Leverage off ISO quality audits where possible to provide assurance regarding risk management objectives.	
5. Develop Audit and Risk Committee risk management report	
6. Investigate the introduction of risk treatment plans.	
Risk Improvements	
7. Complete review of corporate risk register	
8. Managers to complete review of operational risk registers against the revised risk management plan.	
9. . Five operational risk registers audited per year.	
10. Audit confirming the top 5 risks for each Department	
11. Sample audit tracing changes in objectives or activities through to the risk register and confirming that risks have been modified.	
12. Audit of risk assessments for a sample of the top risks for each register; top 3 projects.	
13. Risk appetite reviewed in accordance with Audit and Risk work programme.	
14. Risk management plan reviewed annually by the Audit & Risk Committee.	
15. Sample of risk reviews\action plans to be audited to assess effectiveness of internal controls	

Item 6.8

Specific Project Risk Management Review

Trim No.: 2017781

Executive Summary

This report is to inform the Audit and Risk Committee the status of the top three council projects as identified by the Executive team which are the:

- Matamata-Piako Civic and Memorial Centre (MPC&MC) (completed) - $6.9 million
- Mt Misery Reservoir (construction completed) - $3.6 million
- Te Aroha - Matamata cycle trail (concept) - $4.8 million

The report includes the highest risks of each project. More detailed risk registers have been compiled and these can be made available to the committee if required.

Recommendation

That:

1.   The information be received.

Content

Background

Matamata-Piako Civic and Memorial Centre

The Matamata-Piako Civic and Memorial Centre was opened to the community in March 2018 and a community celebration day was held on Saturday 14th April 2018. There has been considerable positive feedback from the community on the new facility. This project has now reached its natural conclusion and will be removed from the project report.

Mt Misery Reservoir

The new reservoir has been in service since mid-December and the access track upgrade has been completed. After discussions with the farm manager, fencing has been installed around the new reservoir. Spartan Construction has some remaining remedial work to complete and is on track to complete at the end of June 2018. The project is in its final stages and is coming to a conclusion and will also be removed from this project report.

Te Aroha to Matamata Cycleway

The feasibility part of the project has been completed and the Ministry of Business, Innovation and Employment has announced funding of 50% of the project. The detailed project plan is now underway and the risks have changed as they are related to the physical works of the contract.

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Table 1: Top Three Projects Risks and Mitigation

Risk	Mitigation
Funding of the project Some of the contracts have already gone out for tender or are in the process of being finalised. Funding of MBIE is currently based on the engineers estimate put together and the final costs will depend on the contract prices that we will receive back. Then the total project cost will need to be reviewed. There is a risk that the contract prices will come in higher than our estimate.	The rates for the estimates used were from the previous rail trail construction so similar scope and scale of works was used. We have included 20% contingency in our estimate because of this uncertainty. Once the contract prices are known the project contingency can be reduced to 10%. Once the final costs are in the total project cost will need to be reviewed and if there is a discrepancy then funding sources will need to be reviewed.
Land owner issues Although all the land for the cycleway has been secured and is in Council ownership, there is still the potential for land owner disputes throughout the construction of the project.	All the land owners have been visited individually and have been kept up to date with the project. As part of the project it is planned to have a Governance Group in place that can assist with the political interface and assist with land owner issues.
Timeframe of the project There is the potential risk that there isn't the availability of contractors and that they are not able to deliver on the given timeframe. The other risk is that internal resources are not available to manage the project efficiently.	The contracts have been split into 5 different contracts to try and capture as many interests as possible and as to not eliminate anybody. The contracts have also been advertised in the local papers to get as much interest as possible. Hauraki District Council have been engaged as project managers as they have the expertise in this field. The governance and technical groups have been set up for the project to ensure the key milestones of the project are monitored and feedback is provided to our Council and MBIE.

Attachments

There are no attachments for this report.

Signatories

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	EA to Group Manager Service Delivery	

Approved by	Fiona Vessey	
	Group Manager Service Delivery	

Item 6.9

Progress on Review of Ecoli Detection in Water

Trim No.: 2016662

Executive Summary

This report is to update the Audit and Risk Committee on work in progress on the recommendations in the Review of E.coli Detection in Water Supplies during 2016 and report by CH2M Beca.

Review of E.coli Detection in Water Supplies During 2016

The E.coli report has twenty three recommendations that have been considered, prioritised and is now work in progress. A colour coded system is being used to indicate progress on the work to date. The numbers in brackets are what had been completed and reported to the committee in March 2018.

Green (Completed): 18 [15] have been completed, of which 6 were identified as high priority: Most related to incident management, sampling and reticulation.

Red (Not Started): 0 [0] All items have begun and are underway.

Blue (Started): 1 [2] One medium priority action relates to updating the Water Safety Plans, which again has been substantially completed (WSPs submitted to the Drinking Water Assessor (DWA)) with Te Aroha WSP being received in final draft format. Matamata and Morrinsville WSPs have been audited by the District Health Board in April with 2 non-conformances identified in each. These non-conformances will be addressed by mid-June. Some useful guidance has been received from the assessors which will be utilised in updating the Te Aroha WSP and ultimately Morrinsville and Matamata WSPs.

Orange (Ongoing): 4 [4] recommendations have been started and span more than one financial year. They relate to staff competency and training (3), and transferring Te Aroha West to reticulated supply due for completion in January 2019.

Work continues on the recommendations with an expected completion on the majority by the 30th of June 2018. The Havelock North Inquiry: Stage 2 report was recently released with presentations being delivered across the country over April. Council are working through the findings of the stage 2 report and it is anticipated that more actions will be required to comply with the findings and potential regulatory changes for Water Supply.

Recommendation

That:

1.   The report be received

Content

Background

In 2016, there were six occurrences of Escherichia (E.coli) bacteria detected as part of Council's testing procedures for drinking water supplies. All samples taken had adequate chlorine residual and there was no logical cause for the presence of bacteria. However, the presence of E.coli is a serious matter and in December 2016, the Chief Executive requested an in depth investigation and report by an independent external professional CH2M Beca into the potential causes of E.coli being detected in our system.

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In August 2016, the groundwater source supplying drinking water to the residents of Havelock North was contaminated with campylobacter bacterium that caused gastrointestinal illness. Following the incident, Central Government initiated an inquiry into the event, (currently ongoing) and have released a Stage 1 report on the incident. The following is a high level summary of the findings in the Stage 1 report:

- Some 5,500 of Havelock North's residents became ill, 45 of whom were hospitalised. It is possible that the outbreak contributed to three deaths.

- Sheep faeces were the likely source of the campylobacter that caused the outbreak. It is highly likely that contaminated water containing the faeces entered the aquifer from a pond about 90m from the Brookvale Road well 1.

- The Te Mata aquifer from which the water was abstracted is not confined, and had been penetrated by a significant number of disused or uncapped wells. The source is not secure.

- The Regional Council failed to meet its responsibilities to act as guardian of the aquifers under the Heretaunga Plains.

- Hastings District Council did not embrace or implement the high standard of care required of a water supplier. Its failings especially applied to its mid-level managers.

- There was a critical lack of collaboration between the Regional and District Council.

- The Drinking Water Assessors were too hands-off in the applying the Drinking Water Standards for New Zealand (DWSNZ).

- Council's consultant failed to competently assess the security of the wellheads.

As a result of the Havelock North outbreak, the Chief Executive instigated the formation of a new Water and Waste Water unit to address operational and strategic practices, particularly dispersed management and accountability. Tasked with governance oversight in regards to quality control and compliance, the unit is also addressing the need for greater diligence and co-operation with the Health Board and Regional Council, which was a key finding in the Havelock North Inquiry Report.

This report updates the Audit and Risk Committee on progress on the E.coli Report.

Item 6.9

Issues

The following tables provide a high level summary of work in progress from the E.coli Report.

Table 1: CH2M Beca Recommendations Progress

High Level Aspect	Not Started	Started	On-Going	Completed	Comment
Plans, Policies and Procedures	0	0	1	0	OPUS consultants undertaking review of emergency response plan.
Water Safety Plans	0	1	0	4	Te Aroha WSP received in final draft format from Opus. A recent DWA audit on Morrinsville and Matamata WSPs has provided valuable feedback on the form and content of WSPs. Whilst the Te Aroha WSP is substantially the same as the rest, MPDC are updating all WSPs to accommodate DWA feedback.
Reticulation	0	0	0	4	New process completed. Staff turnover within the reticulation team means re-training in the process is required. This remains a high risk area for Council.
Staff Competence and Training	0	0	2	1	Implementation of the Licence To Operate (LTO) system is progressing. Incident Management simulation exercise has not been carried out, though recent events in Morrinsville have tested internal procedures. The instigation of Learning Teams and Route Cause Analysis are covering much of what was expected in the proposed simulations.
Sampling and Testing	0	0	0	5	All sample tap installations complete. Post installation audits planned for the next month.
Incident Management	0	0	0	4	All actions completed. It is anticipated that further actions and controls around incident management will be required following the Havelock Stage 2 Report findings and the recent events in Morrinsville.
Post Treatment Processes	0	0	1	0	Upgrade of Waihou water supply completed, and Te Aroha West transfer to a fully treated supply is currently in concept design with anticipated construction between September 2018 and January 2019.
Summary Tally	**0**	**1**	**4**	**18**	

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Update of E.coli Detection in Water Supplies Report Actions

The recommendations from the review related to managing and reducing the presence of E.coli in the water supplies, thereby improving compliance with regulations and protecting public health. Work has begun on all the high priority risk actions, with the exception of a few that have dependencies upon completion of other actions.

The report updates of the 7 categories are:

- Water Safety Plans (WSP's): OPUS consultants have updated the plans. There was an initial delay in completion of these plans due to the engineer who was working on the plans leaving OPUS, and additional content needed to be added to the catchment assessment reports (which feed into the WSP's). At all stages the District Health Board was kept informed and provided guidance for the completion of the assessment. Te Aroha WSP was completed to final draft in March, and Morrinsville and Matamata WSP's were audited in April, with two non-conformances identified for each. These non-conformances will be addressed by mid-June 2018. We also received valuable feedback on our WSPs during the audit and plan to update the Te Aroha WSP and ultimately the Morrinsville and Matamata WSPs following this guidance.

- Reticulation: Identified as a high priority category the review of the policies, procedures and practices has progressed and is now complete. Staff changes in the Reticulation Team in Kaimai Valley Services (KVS) will mean re-briefing and training of new / substitute staff will be required.

- Following procedures and documenting, test results remain a high priority areas for the Reticulation team. Auditing of reticulation procedures and records (especially after major mains breaks and new main installs) is proposed.

- Staff Competence and Training: All 3 actions were prioritized as low-medium risks. 2 of the actions are on-going as they relate to the completion of the Licence to Operate (LTO) system. The simulation exercises for gross water pollution are being considered and development proposed as part of the Water and Waste Water restructure.

- Sampling and Testing: All 4 of the high priority actions have been completed. An audit of the new sample taps is proposed as part of follow on actions from the Havelock North Stage 2 report.

- Incident Management: All actions within this category have been completed. A review of the effectiveness of the completed actions along with any additional requirements identified in the Havelock Stage 2 report will be assessed prior to the 30th of September 2018.

- Post Treatment Processes: The Waihou KVS Depot has had UV disinfection units installed and they are now operating. This will add a level of protection against pathogenic microorganisms at the Waihou Depot. Te Aroha West (currently UV treated) is planned to be connected to the main Te Aroha Water Supply (full treatment) by January 2019. An external resource has been engaged to progress this project with urgency.

Of the 10 actions identified as a high priority risk of E.coli contamination, 9 have been completed and 1 (Te Aroha West) has been started.

Of the 23 actions, all items have been started and it is expected that the remaining 5 actions will be completed by the 30th of January 2019.

Work on the E.coli detection recommendations is progressing well. A holistic organisational approach is being applied to this work. The implications of recent events has resulted in a heightened awareness and urgency to ensure we can confidently say and demonstrate that we are doing all we can to provide the community with safe drinking water via the existing asset base.

Attachments

There are no attachments for this report.

Signatories

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Approved by	Fiona Vessey	
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Quarterly Procurement Report

Trim No.: 2017783

Executive Summary

This report summarises internal auditing and analysis of procurement performance over the third quarter, January to March 2017/2018. It is the first report summarising procurement performance, since the recommendation from BDO to report to the Audit and Risk Committee on a six monthly basis. The Procurement Manual was implemented 1st of August 2017, and understandings of requirements is improving. Awareness of Councils procurement profile is also growing with increased data analysis allowing Council to identify areas for improvement and opportunities for consideration. This report covers auditing and analysis of procurement through the use of Purchase Orders (PO's).

Audits of PO's are undertaken to review compliance with procurement requirements and the embedding of the recently implemented manual and procedures. Findings are collated to identify trends and track staff performance. Any instances of non-compliance are reported back to managers to discuss with their staff.

Analysis of PO data also enables greater awareness of spend via person, department or supplier. Identifying persons with large spend profiles and spends with the same supplier across different departments. This identifies opportunities for bundling of contracts as well as staff who may need more procurement support, to ensure procurement is undertaken effectively to gain the best value over whole of life.

Recommendations and findings from pervious audits have been implemented into Councils Procurement Manuals and procedures to ensure all areas for improvement are addressed and recommendations are applied.

Audits and analysis of PO data will continue to be undertaken to ensure the embedding of processes into practises. Whilst working towards taking advantage of opportunities as they are identified

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Recommendation

That:

1.   The report be received.

Item 6.10

Content

Background

BDO undertook a review of the Procurement Policy, processes and control environment in December 2017. The report on these findings was received by Council in February 2018. One of the findings suggested that there was an opportunity for analysis and auditing findings to be reported to the Audit and Risk Committee on a six monthly basis.

This recommendation was accepted by the Audit and Risk Committee, based on advice from of BDO to further monitor the embedding of the policy auditing and analysis of Councils procurement.

Internal Auditing Findings

Weekly procurement audits to help embed the Procurement Manual into procurement practises and monitor compliance are conducted. This information is reported to E Team and the Audit and Risk Committee.

Any non-compliant findings are passed on to managers to discuss with their staff. This is to ensure both the person raising and approving the requisition are aware of the non-compliance. The aim is to place the responsibility of compliance back on the person procuring to ensure they are following processes and also on the managers approving requisitions. Therefore, non-compliant procurements should be corrected before a requisition is approved. This should encourage more compliant behaviour as there is less benefit in correcting the procurement after the fact.

To follow is an outline of the procurement auditing findings from implementation of the Manual on the 1st of August 2017 till the end of the third quarter (31st March).

Graph 1: Auditing results categorised
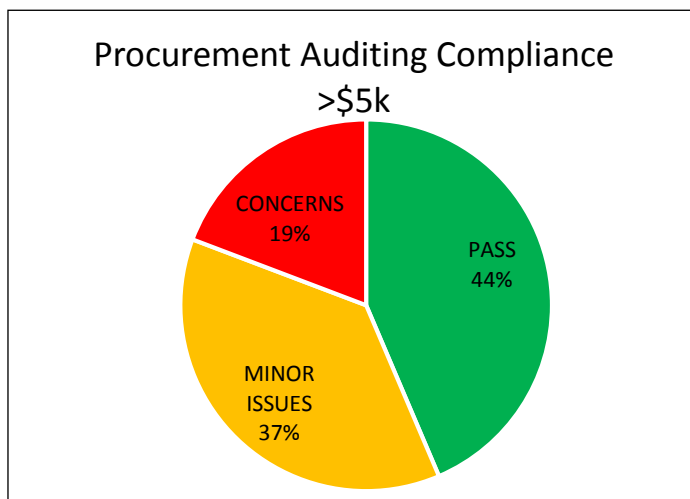
Pass: Meets all audit requirements, with no areas of concern.

Minor Issues: Small errors in the procurement & opportunities for improvement, but they only have minor impact on the procurement and Council.

Concerns: Many errors within a procurement or a significant error that raises concerns for compliance and increases risk to Council.

Graph 2: Auditing results by month

Procurement Auditing Figures > $5k
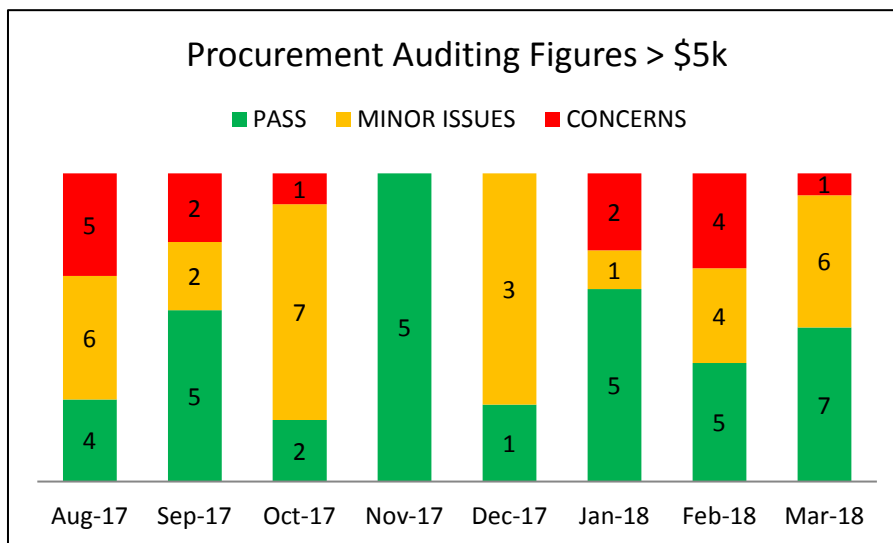
Graph 3: Breakdown of reasons for non-compliance

Reasons for Non-Compliance
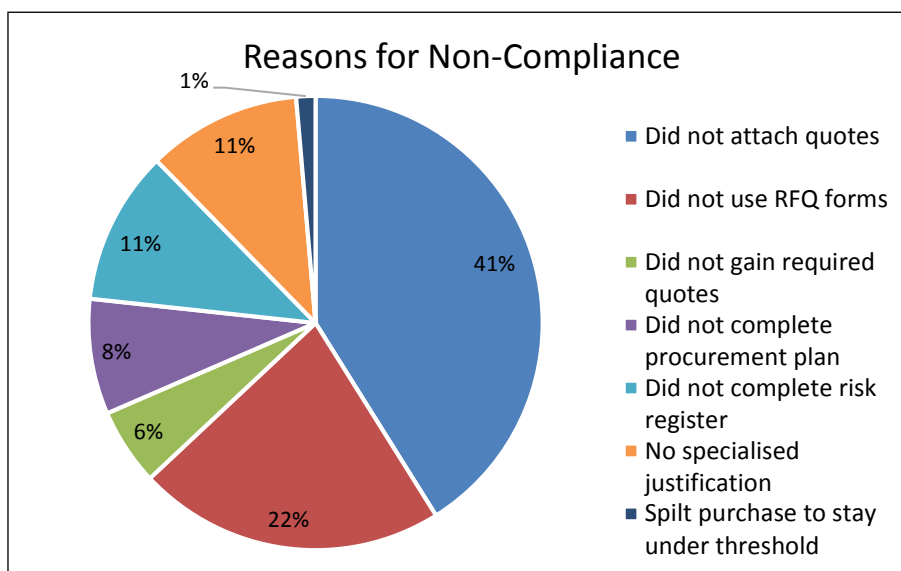
The reasons for non-compliance are varied, and generally there is more than one reason for non-compliance. For example a requisition may have not completed a procurement plan or risk register and failed to attach quotes.

Linking graph one and three. The most common reason procurements are rated as a concern is not completing the requirements of a specialised procurement. This generally includes non-completion of a procurement plan and risk register and insufficient justification for specialisation.

At this stage the approach taken to address is this is to provide feedback on improvements required and assist staff in procuring as work is undertaken on behaviour and culture change to embed the new practises.

Opportunities for Contracts

All suppliers who Council spend more than $100,000 with on an annual basis should be under a contract (excluding one off purchases). The table below outlines suppliers with spend over $100,000 in the current year.

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Table 1

Supplier	Value	Comments
Chemicals Australia Operations (Ixom)	$ 207,246	
Pump R & M Limited	$ 147,304	
Parklink Limited	$ 144,181	
Select Alarms	$ 132,179	Used by IT, W&WW and KVS
Tamaki Control Limited	$ 124,856	
Te Aroha Plumbing & Drainage L	$ 102,225	

Volume of PO's

In the third quarter, 1,974 PO's in total were raised. ArcBlue estimated that the costs associated with processing one PO was $73, therefore the cost of processing these PO's is estimated to be $144,102. Therefore, there is an advantage to trying to reduce the total volume of PO's being raised. As shown below 99 PO's were raised with Office Max this quarter. This equates to one PO a day with Office Max. This volume appears to be quite excessive and needs to be addressed. Council has meet with Office Max to discuss options to reduce this volume, whilst internally there is a focus on reducing the volume of low value orders and consolidating orders.

The following table outlines the top 20 suppliers who had the most PO's raised this quarter. It also outlines the total spent with suppliers this quarter and the average value of PO's raised per supplier.

Table 2

#	Name	Volume	Total Value	Average Value of PO
1	Office Max*	99	$ 179,155	$ 1,809.65
2	Bunnings Ltd	52	$ 6,929	$ 133.24
3	Wesfarmers Industrial and Safety (NZ)	49	$ 12,579	$ 256.71
4	J A Russell Limited Auckland	40	$ 27,040	$ 675.99
5	Kaiser Ag Ltd	39	$ 26,982	$ 691.86
6	Corporate Traveller Hamilton	34	$ 12,896	$ 379.28
7	MEA Mobile Ltd	34	$ 17,247	$ 507.28
8	Allied Investments Limited Hamilton	30	$ 3,500	$ 116.67
9	Te Aroha Plumbing & Drainage Ltd	29	$ 11,201	$ 386.24
10	McLarens Rural Services Ltd	26	$ 3,896	$ 149.85
11	TC Property & Garden Care	24	$ 22,495	$ 937.28
12	Hannah Electrical Limited	23	$ 5,827	$ 253.35

13	Pump R & M Ltd	23	$	79,637	$	3,462.49
14	Cullen Engineering Company Limited	21	$	30,887	$	1,470.81
15	Paul Jarvie Drainage & Landscape Ltd	21	$	25,990	$	1,237.62
16	Ixom Operations Ltd	20	$	96,432	$	4,821.58
17	Bridgestone NZ Ltd	19	$	5,472	$	288.00
18	Waikato Wide Locksmith Services Ltd	19	$	5,296	$	278.74
19	Plumb.Co (2004) Limited	18	$	9,698	$	538.78
20	Stanish Signs Limited	17	$	3,760	$	221.18

*The total spend with Office Max this quarter includes furniture purchases for Matamata. Therefore both the total value and the average value if PO is increased.

Number of PO's – Threshold breakdown

In the third quarter 1,974 purchase orders were raised. 95% of PO's raised fall under the $5,000 threshold. This means that these purchases are not required to go through a competitive procurement process as only one verbal quote is required at this threshold (Please note that some of these PO's will be payments for goods/services under contract). The total value of these PO's under $5,000 is $1,175,339. Therefore, even at these lower levels consideration needs to be given to procurement objectives to ensure value for money is achieved.

1,974 PO's raised Valued at $2,706,594			
Under $5k	**$5k to $20k**	**$20k to $50k**	**$50k to $100k**
95%	4%	1%	0.25%
$1,175,339	$686,128	$594,192	$250,936
1874 PO's	76 PO's	21 PO's	4 PO's

Item 6.10
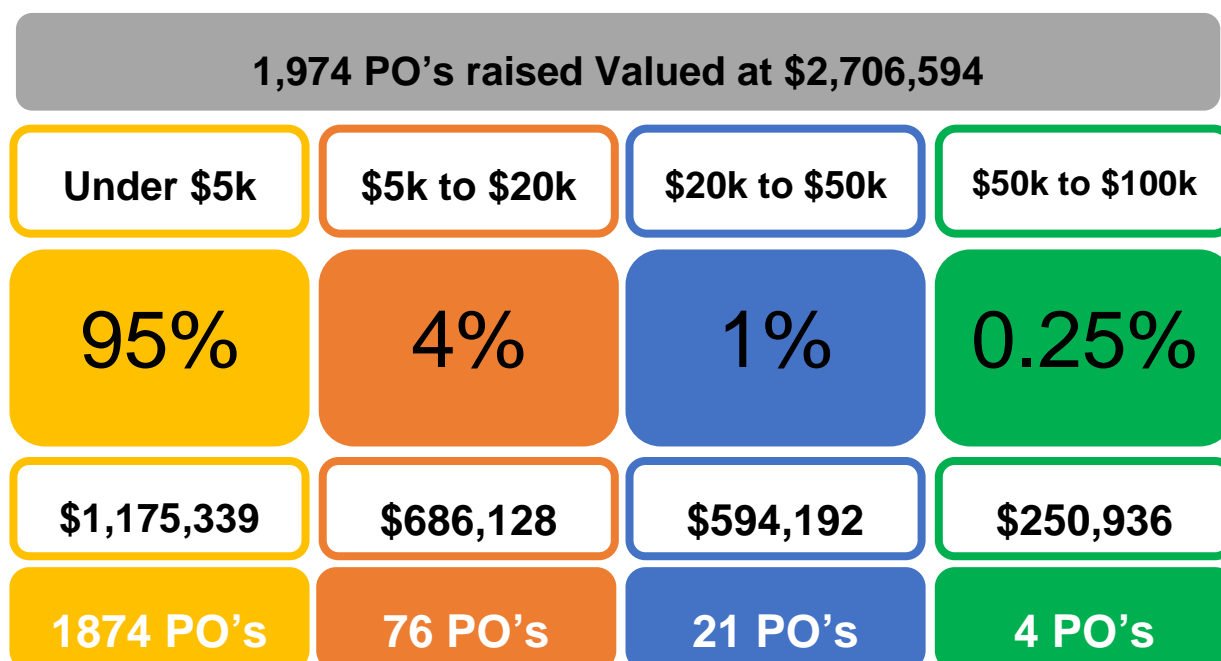
Top 10 Suppliers for Top 10 Spenders per Group

The table 3 below outlines the top 10 spenders for each group. Which is then broken down to show the top 10 suppliers by value used by each of the top 10 spenders. For the detailed breakdown of the top 10 suppliers per spender see the link in Attachment one.

Table 3

Spenders – Top 10 per group	Total Spent in 3rd Q	Value of Top 10 ($) 3rd Q	Total PO Raised	Total PO ($) w/ Top 10	% of Total Spend w/ Top 10
Community Development					
1	$ 9,984	$ 9,984	12	12	100%
2	$ 7,470	$ 7,470	5	5	100%
3	$ 6,953	$ 6,953	5	5	100%
4	$ 6,377	$ 6,377	2	2	100%
5	$ 4,085	$ 4,085	25	25	100%
6	$ 2,387	$ 2,387	8	8	100%
7	$ 1,894	$ 1,894	6	6	100%
8	$ 1,164	$ 1,164	8	8	100%
9	$ 228	$ 228	1	1	100%
10	$ 72	$ 72	1	1	100%
Service Delivery					
1	$ 463,746	$ 364,903	183	56	79%
2	$ 313,854	$ 256,722	105	36	82%
3	$ 238,960	$ 213,542	86	40	89%
4	$ 98,664	$ 76,364	208	122	77%
5	$ 74,604	$ 53,247	115	41	71%
6	$ 72,296	$ 60,635	63	34	84%
7	$ 66,757	$ 56,703	79	25	85%
8	$ 62,137	$ 62,137	14	14	100%
9	$ 56,128	$ 55,474	21	15	99%
10	$ 43,213	$ 43,213	6	6	100%
Business Support					
1	$ 91,861	$ 60,626	96	3	66%
2	$ 71,121	$ 71,121	19	19	100%
3	$ 38,050	$ 30,226	59	29	79%
4	$ 36,113	$ 36,113	5	5	100%
5	$ 19,384	$ 19,384	2	2	100%
6	$ 18,395	$ 18,395	1	1	100%
7	$ 14,437	$ 14,437	6	6	100%
8	$ 9,270	$ 8,701	32	26	94%
9	$ 5,836	$ 5,836	3	3	100%
10	$ 5,697	$ 5,697	3	3	100%
Corporate					
1	$ 34,316	$ 34,316	5	5	100%
2	$ 32,776	$ 25,229	50	40	77%
3	$ 24,569	$ 24,568	19	19	100%

4	$	22,439	$	22,441	26	26	100%
5	$	18,527	$	18,528	25	25	100%
6	$	13,388	$	13,388	5	5	100%
7	$	10,431	$	10,377	18	17	99%
8	$	8,846	$	8,594	27	23	97%
9	$	8,708	$	8,708	1	0	100%
10	$	5,099	$	5,099	10	1	100%

NZTA Funded Procurement

NZTA released Amendment 4 to their Procurement Manual earlier this year. It was implemented on the 1st of March. Staff have been made aware of the changes, and all upcoming NZTA funded procurements will be overseen to ensure compliance.

An annual procurement plan for NZTA funded procurements has been produced and published on the Council website. This will be updated on a six monthly basis.

There have been no NZTA funded procurements since the implementation of Amendment 4.

Audit Findings and Implementation - BDO

BDO have conducted a review of our Procurement Policy, Processes and Control Environment. The relevant findings that have been implemented into procurement practises are as follows:

Item 4.2: Conflict of Interest Checks in Procurement Process	
Recommendation	Conflict of interest should be a mandatory risk consideration for the procurement of services at a minimum.
Implementation	It has been noted in the Procurement Manual and related Promapp procedures that conflict of interest is a mandatory risk consideration for the procurement of services. It has also been added to the risk register template. Therefore, when the template is being completed it prompts staff to consider this risk.

Item 4.4: Reporting of Procurement Audit Outputs	
Recommendation	The output of the Procurement Audit Process be reported to the Audit and Risk Committee for the next 12 months.
Implementation	I will report audit findings to the Audit and Risk Committee on a 6 monthly basis. I am currently working on a project brief to determine the contents of the report. This will be taken to E Team for approval.

Recent Initiatives

AoG Retail Fuel Contract – BP

The BP fuel cards were received and distributed on the 4th of April 2018 for use in Morrinsville and outside the district as 29% of fuel is purchased in Morrinsville.

Staff have been informed and will continue to be reminded in the bulletin about utilising BP/GAS when possible, and the locations of BP and GAS stations. Fuel purchased from Caltex in Morrinsville is being monitored to help change habits, and ensure BP is used whenever possible.

AoG IT Hardware Contract

The All-of-Government IT hardware contract was joined on the 8th of March 2018. It covers a wide range of products including desktops, laptops, tablets, thin clients, monitors, peripherals, other IT hardware (e.g. Chromebooks), mobile phones and associated services. The contract is broken down into compulsory products and optional products and services as below.

Mandatory Products:
*	Desktops
*	Laptops
*	Tablets
*	Thin clients
*	Peripherals
*	Monitors
*	Chromebook

Optional Services/Products:
*	Asset tagging
*	BIOS tagging
*	BOIS updates/configuration
*	Device imaging
*	Hardware component installation
*	Disposal/retirement
*	Hard drive degaussing
*	Hard drive wiping
*	Deployment of IT Hardware
*	Virus free assurance
*	Mobile phones
*	Value-add associated services
*	Leasing

Opportunities

Establishing a Trades Panel

Council would benefit from reduced rates and a decreased demand on staff time with the implementation for a Trades Panel of Suppliers. A business case has been developed to support this.

AoG Contracts

There are 73 contracts available through AoG, Council is currently signed up to 6. Although not all contracts are applicable to Council, all relevant AoG contracts should be reviewed to determine if more can be utilised. This will unsure all opportunities have been considered and savings gained.

Analysis

Options considered

There are no options to be considered in this report.

Analysis of preferred option

None

Legal and statutory requirements

The Office of the Auditor General provide the framework for good procurement practise by public entities.

Good practice principles, government policies, and rules.
Basic principles that govern all public spending:

- Accountability

- Openness

- Value for money

- Lawfulness

- Fairness

- Integrity

Impact on policy and bylaws

The Procurement Policy outlines Councils vision and commitment to procurement. Whilst also influencing risk and value management. All procurements are undertaken with the overarching guidance provided in the policy.

Consistency with the Long Term Plan / Annual Plan

Not applicable.

Impact on Significance and Engagement Policy

This has no impact on the Significance and Engagement Policy.

Communication, consultation and decision making processes
To date consultation has only been internal. In the future there will be some consultation in regards to the trade's panel.

Consent issues

There are no consent issues.

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Timeframes

Quarterly procurement reports are presented to E Team each quarter, alongside six monthly reports to the Audit and Risk Committee.

Contribution to Community Outcomes

Not applicable.

Financial Impact

i.   Cost

The financial cost involved with procurement is the staff time required. In some instances consultants are engaged for specialist procurement assistance.

ii.   Funding Source

Procurement activities are funded within existing budgets.

Attachments

There are no attachments for this report.

Signatories

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	Procurement Officer	

Approved by	Fiona Vessey	
	Group Manager Service Delivery	

Item 6.11

Building Warrant of Fitness Audit

Trim No.: 2018138

Executive Summary

The Ministry of Business Innovation and Employment (MBIE) recently carried out a technical review of our Building Warrant of Fitness (BWOF's) process. The review was managed as a training exercise with all the Building Control Officers taking part. The Audit involved an inspection of five buildings with BWoF's and a review of the compliance schedule for the new Matamata Civic Centre.

The review raised a number of opportunities for improvement and the Auditors requested Council to supply further statistical information by 3 September 2018. Some of that information has been provided to the Audit team and the remaining parts are currently being worked through.

Recommendation

That the information be received

Content

Background

<u>Compliance Schedules</u>

Buildings containing certain safety and essential systems, known as specified systems, are issued with a compliance schedule and the building owner must ensure continued effective operation of those features and systems by meeting inspection requirements and signing an annual building warrant of fitness (BWoF).

All buildings, other than single residential buildings, require a compliance schedule and annual warrant of fitness if they contain any of the following:

1. automatic systems for fire suppression (for example sprinkler systems)
2. automatic or manual emergency warning systems for fire or other dangers
3. electromagnetic or automatic doors or windows (for example, ones that close on fire alarm activation)
4. emergency lighting systems
5. escape route pressurisation systems
6. riser mains for use by fire services
7. automatic backflow preventers connected to a potable water supply
8. lifts, escalators, travelators or other systems for moving people or goods within buildings
9. mechanical ventilation or air-conditioning systems
10. building maintenance units providing access to exterior and interior walls of buildings

11. laboratory fume cupboards

12. audio loops or other assistive listening systems

13. smoke control systems

14. emergency power systems for, or signs relating to, a system or feature specified for any of the above systems or features

15. any or all of the following features, so long as:
    - they form part of a building's means of escape from fire

    - those means also contain any or all of the systems or features specified in clauses 1-6, 9 and 13

    The features are:
    a) systems for communicating spoken information intended to help evacuation

    b) final exits (as defined by clause A2 of the building code)

    c) fire separations (as so defined)

    d) signs for communicating information intended to facilitate evacuation

    e) smoke separations (as so defined).

16. All buildings that have a cable car, including single residential buildings

Building warrant of fitness

Role of the building owner

The building owner must supply a BWoF to the territorial authority on each anniversary of the issuing of their building's compliance schedule.

The Building Act 2004 requires that:

- the BWoF must state that the inspection, maintenance and reporting procedures of the compliance schedule have been fully complied with for the previous 12 months

- a copy of each certificate (Form 12A) issued by the IQP (Independently Qualified Person) for each of the specified systems, along with any recommendations for amending the compliance schedule, must be attached to the BWoF provided to the territorial authority

- the owner must use the prescribed BWoF form in the Building (Forms) Regulations 2004, providing all the information and attachments required in that form including:

  o location of the particular building

  o current lawfully established use, including number of occupants per level and per use (if more than one)
  o the owner of the building
  o original date the building was constructed
  o the highest fire risk category (if applicable) for building use.

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Role of the Independently Qualified Person (IQPs)

Building owners are required to engage IQPs who will undertake the inspection, maintenance and reporting procedures listed on the compliance schedule and issue the Form 12As from the Building (Forms) Regulations 2004, to verify that the inspection, maintenance and reporting procedures for each specified system has been fully complied with.

The number of Form 12As required to be obtained will depend on the number of specified systems in the building and the number of IQPs required to carry out the procedures. For example, if an IQP is carrying out the procedures for all five specified systems in a building (because he/she is registered by the territorial authority to do so) then he/she may issue one Form 12A covering all specified systems. However, if several IQPs are required then they will each issue a Form 12A covering only the specified system/procedures they are verifying.

There may also be scenarios where more than one IQP has carried out procedures for one specified system, for example an IQP is engaged for the first 6 months and another IQP for the final 6 months of the compliance schedule year. In this type of scenario, each IQP should issue a Form 12A covering the period of time they carried out the required procedures (unless another arrangement has been made).

The territorial authority must retain copies of the Form 12A certificates.

Role of the territorial authority

Document review
The territorial authority should review the BWoF and Form 12As provided. This includes making sure:

- the BWoF complies with Form 12 of the Building (Forms) Regulations 2004

- all the Form 12As comply with the Building (Forms) Regulations 2004 and have been filled out correctly

- the Form 12As provided collectively cover the inspection, maintenance and reporting procedures for all the specified systems on the compliance schedule

- the IQP who has signed the Form 12A is registered for the particular specified system.

Where any recommendations have been made by an IQP, the territorial authority must determine whether the compliance schedule needs to be amended, based on those recommendations.

Inspections
The Act provides for the territorial authority to proactively check a building to ensure a BWoF is correct, and that IQP reports are correct. The territorial authority can charge for this inspection. They can also authorise an agent to undertake this inspection work.

A territorial authority should have procedures in place for:
- checking BWoF documentation provided

- considering recommendations made by the IQP(s)

- inspecting buildings that have BWoFs

- reminding building owners to supply their BWoF before it is due and following-up any overdue BWoFs.

If the owner requests a change to the inspection, maintenance and reporting procedures of the compliance schedule, the territorial authority must consider the effect of the proposed change on the compliance of the system.

On-site BWoF audits

A territorial authority should adopt a policy to proactively review a percentage of buildings with BWoFs per year. It is good practice to have a three to five year on-site audit cycle (20-33 per cent per annum) and the audit frequency of a given building should reflect the perceived risk for the use of that building. Therefore, for instance, it might be appropriate to have annual audits for budget accommodation (e.g. backpackers' hostel) and five yearly audits for low-occupancy industrial buildings.

The need for a BWoF audit may also be triggered:

- where a BWoF is overdue or where there is a history of BWoFs being supplied late

- where a building has had no building work done for an extended period of time

- where the BWoF and compliance schedule have not been reviewed for an extended period

- during investigations of dangerous buildings.

Onsite BWoF audits should include a rapid 'walk-through' of the building to visually confirm that all installed specified systems are on the compliance schedule and that the BWoF is displayed correctly.

When renewing BWoFs, a check should be made to determine whether there are any building consents issued to the property that do not have code compliance certificates. If any building consents are outstanding, this is a good time to raise the issue with the owner.

Issues

An extra position of Building Compliance Officer was recently added to the Building Unit, with that role responsible for managing fencing of swimming pool requirements, undertaking building warrant of fitness audits and managing earthquake prone building requirements.

A number of the opportunities raised in the review had been previously identified and were starting to be actioned by the Building Compliance Officer so the MBIE audit was a useful exercise to review our progress and to ensure we were complying with the Act.

Attachments

A.   Ministry of Business, Innovation & Employment's Technical Review - MPDC (11-13 April 2018)

Signatories

Author(s)	Dennis Bellamy	
	Group Manager Community Development	

Approved by	Dennis Bellamy	
	Group Manager Community Development	

BUILDING PERFORMANCE

Ministry of Business, Innovation & Employment's Technical Review

Matamata-Piako District Council (11-13 April 2018)

MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
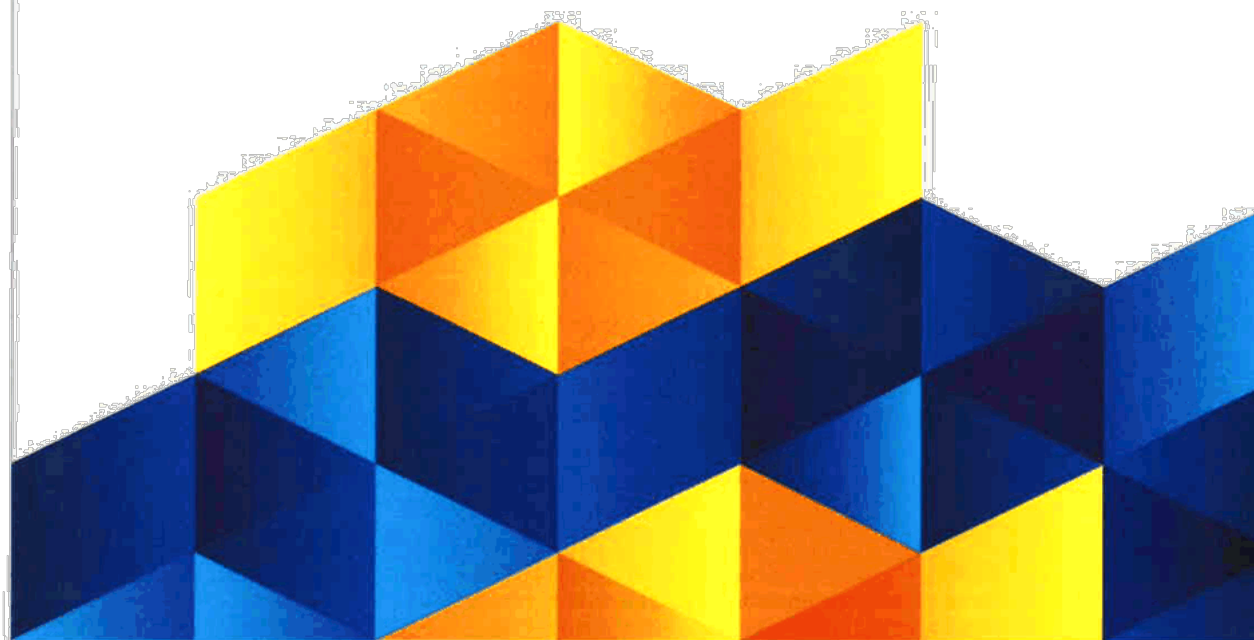
New Zealand Government

Context

The Ministry of Business, Innovation and Employment (MBIE) carries out technical reviews of territorial authority (TA) functions as part of its ongoing performance monitoring function under the Building Act 2004.

Purpose

The purpose of the technical review was to monitor and assess the performance of Matamata-Piako District Council (MPDC) in several of its TA functions - amending compliance schedules not captured by the building consent process, the enforcement of the building warrant of fitness (BWoF) system, which includes on-site audits, notices to fix (NTFs) and infringement notices. The opportunity was also taken to observe and assess the quality of installed passive fire systems (eg smoke/fire separations).

Approach

2 members of MBIE's Building System Assurance Team (Mike Reedy and Gary Higham) undertook a 2.5-day technical review visit of MPDC on 11-13 April 2018.

Before the visit, HDC provided the following statistical information.

	Subject	Total for the stated period
1	Buildings with compliance schedules at 31 January 2018	389
2	Amended compliance schedules issued 13 March 2012 to 31 January 2018	350*
3	On-site BWoF audits carried out 13 March 2012 to 31 January 2018	58
4	NTFs for compliance schedule and BWoF matters issued 31 March 2005 to 12 March 2012	11
5	NTFs for compliance schedule and BWoF matters issued 13 March 2012 to 31 January 2018	17
6	Infringement notices for compliance schedule and BWoF matters issued 1 July 2008 to 12 March 2012	0
7	Infringement notices for compliance schedule and BWoF matters issued 13 March 2012 to 31 January 2018	0

* Estimated only

During the course of the technical review visit, MPDC staff (from Norm Barton, Denika Cawker, Tania Scott, Daniel Kruger, John Needham) accompanied MBIE on a total of 6 on-site BWoF audits/inspections for a range of building types. The inspections were of the following buildings:

1. Matamata Hotel/Horse and Jockey Inn, 81 Arawa Street, Matamata
2. New World Matamata, 43 Waharoa Road East, Matamata
3. Icepak Waharoa, Factory Road, Waharoa (example of a recently amended compliance schedule).
4. Matamata Primary School, 6 Meura Street, Matamata
5. Tank/Farmlands/Momento Café, 67 Arawa Street, Matamata (example of a 'new-build' compliance schedule)
6. MPDC community hall/library/offices, Tainui Street, Matamata (MPDC-owned building, 'new-build' currently operating under a certificate for public use).

Findings

<div style="background-color:#29ABE2; text-align:center">**Positives**</div>

Staff and training

- MPDC's Building Control Manager regularly attends monthly meetings of the regional BCAs/TAs via Waikato Building Consent Group (WBCG).
- Denika Cawker (Building Control Compliance Officer) is responsible for the on-site BWoF audits and she also undertakes other TA functions.

Policies and procedures

- MPDC have documented policies and procedures for compliance schedule/BWoF matters and all TA/BCA functions via the WBCG.
- Regional independent qualified person (IQP) register is administered by Hamilton CC.

Public information

- MPDC via WBCG's website provides public information about specified systems, compliance schedules and BWoFs, plus a suite of application forms (including Form 11 – application for amendment to compliance schedule).

Building Amendment Act 2012

- MPDC advised it had removed 90% of the 'old passives' (eg safety barriers, fire hose reels) from existing compliance schedules. Based on the small sample of compliance schedules viewed by MBIE, none of the 'old passives' were sighted. It was noted by MBIE that there had been a clear improvement in terms of specificity of specified system descriptions, performance standards, and inspection, maintenance and reporting (IMR) procedures in recent new and amended compliance schedules (eg Tank/Farmlands/Momento Café).

BWoFs

- MPDC is proactive and sends out BWoF reminder letters to building owners prior to BWoF expiry date. If necessary, MPDC will follow-up with further reminders.

On-site BWoF audits

- MPDC has undertaken 58 on-site audits since Mar '12, which include a rapid 'walk-through' of the building. MPDC advised it currently audits 2 buildings per week (ie approximately 100 per annum, which equates to about 25% of their compliance schedules). However, MBIE suspects that these on-site audits have only been carried out relatively recently.
- Appreciated the fact that MPDC recognised MBIE's visit as a learning opportunity and allowed, during the course of the review visit, a total of 5 staff (including the Building Control Manager) to see 'first hand' the challenges and benefits of undertaking on-site BWoF audits. An inspection of MPDC's new community hall/library/offices was undertaken as a team training exercise to assist MPDC in identifying the installed specified systems that need to be included in the future compliance schedule which will be issued with the code compliance certificate (CCC).

NTFs

- MPDC have issued NTFs for compliance schedule/BWoF breaches (total of 28 issued since March 2005, including 17 since March 2012).

Opportunities for improvement

Over-arching comments

- MBIE recommends MPDC do a scoping exercise to establish how many of their 400-odd compliance schedules (some of which are generic documents, without any attached drawings/documents) are required to be amended to satisfy the current legislation. Resource as necessary to clear the backlog as soon as possible in order to comply with the Building Amendment Act 2012. MPDC estimated the backlog to be in the order of 50% (200).

Compliance schedules

- The Building Act 2004, as amended by the Building Amendment Act 2012, requires a compliance schedule to:
  - List the specified systems (and this includes removing the 'old passive' systems and features that are not considered to be specified systems eg fire hose reels, safety barriers, access and facilities for persons with disabilities)
  - Have a detailed description of each specified system
  - List the performance standards for each specified system
  - List the IMR procedures for each specified system.
- Compliance schedules were required to be amended to include the above level of detail by March 2013. MPDC needs to actively seek this information from building owners (eg by contacting or visiting owners and advising them of their obligations or MPDC undertake on-site audits and get the information itself). If owners (or their agents/IQPs) do not provide the required information in a timely manner, MPDC should consider issuing NTFs. If these NTFs are ignored, recommend adopting an infringement notice policy for building offences[1] (which includes offences related to compliance schedules/BWoFs) which will assist in ensuring the safety of building occupants/public. An infringement fee of $1000, for ignoring the NTF, may provide an incentive for non-compliant owners to comply, and if compliance is achieved promptly, the TA may elect to waive the payment of the infringement fee. (MBIE notes that many TAs are prepared to issue infringement notices for parking, freedom-camping, Resource Management Act and dog offences, but are reluctant to do so for building offences).
- As the compliance schedule is relevant for the life of the building and it is a key document for several parties, particularly IQPs, consider providing on-line access to compliance schedules. Anecdotally, MBIE has heard of cases where IQPs have never seen or referred to the relevant compliance schedule, despite requests to the building owner to provide one.
- Although not a prescribed form, it is suggested that the following amendments be made to the compliance schedule template:
  - 'Highest fire hazard category for building use' should only be used where a building was designed based on a document using that term, that is, the 'old' pre-2012 C/AS1. (For a 'new-build' compliance schedule, use 'risk group' if appropriate, that is, if designed to one of the Acceptable Solutions C/AS1-7);
  - For 'Current, lawfully established use', populate with 'Classified use(s)' from Building Code clause A1, followed by a lay-person's building-type description (eg 2-level restaurant and bar);

[1] Many councils have advised that infringement notices have proved to be an effective building control tool. For example, see the Wellington City Council technical review report at: https://www.building.govt.nz/assets/Uploads/building-officials/technical-review/2012-wellington-technical-review.pdf.

- Include page numbers (including any attachments) and total number of pages in the compliance schedule;
- Remove any reference to 'appropriately qualified registered person' as only an IQP can carry out or supervise the IMR procedures stated in the compliance schedule during the previous 12 months (refer to s108(3)(d) and (7) Building Act 2004);
- Consider including a street-view photograph of the building as it is helpful in quickly identifying the building the compliance schedule relates to and it gives a sense of being a building-specific document;
- Include the original compliance schedule issue date (including the year);
- Provide version control and include the date, if and when the compliance schedule is amended (perhaps with a brief description of the amendment, eg 'SS14.2 added, SS15.5 deleted' or refer to the relevant building consent number) so the history of the building can be traced;
- Include a summary list of all specified systems at the front of the compliance schedule (this is particularly useful where the detailed description and IMR procedures for each specified system is stated on separate pages)
- Always use assertive language which will ensure the requirements of the IMR procedures are clearly and concisely communicated and not left to the reader to interpret or make a decision (eg don't use words such as 'should', 'could', 'not limited to', 'examples' etc) - refer to MBIE's 'marked-up' compliance schedules for some of the buildings that were audited;
- In terms of future-proofing, consider inserting the relevant text from the nominated standard (eg NZS 4512:2010), which avoids having to physically refer to that document which could be possibly difficult to do in many years' time;
- Again, in terms of future-proofing, describe the fire alarm/sprinkler system(s) in words, as well as the type number (to illustrate this point, before 2003, a Type 1 fire alarm was a manual fire alarm system; whereas from April 2003, a Type 1 became a domestic smoke alarm system);
- Make as building-specific as possible (eg provide more detail about specified system/ type/ brand/ model/ serial number/ location/ performance standard (including year). Note that in general terms, nominating a Building Code clause is not an appropriate performance standard as it is too generic, but it's possible to refer to a specific Building Code sub-clause for some of the specified systems under SS15/1-5. Delete any text that does not apply (ie not relevant), common examples are fire shutters, fusible links and generator which more often than not are non-existent and just create confusion to the reader;
- In the case of SS7 (automatic backflow preventers) associated with fire sprinklers (SS1), it is recommended in the interests of clarity, that the backflow preventer is mentioned in both specified systems (ie cross-referenced) and it clearly identifies which party is responsible for undertaking the IMR requirements;
- Always allow for the attachment of plans, specified system data sheets, manufacturer's instructions, fire reports, photos of alarm panel schematics etc, to assist those not familiar with the building. Ensure adequate cross-referencing is provided within the main body of the compliance schedule so that it is clear that the attachment is an integral part of the compliance schedule (eg 'as per attached drawing xx/yy');
- Treat the compliance schedule as a 'living' document and amend (in consultation with the building owner) when useful detailed information comes to hand (eg as a result of an on-site audit finding or receiving a back-flow preventer test report). As the compliance schedule is valid for the life of the building, the more building-specific information (relating to the building's installed specified systems) that can be

incorporated in the compliance schedule, the easier and better it will make it for future owners and IQPs to do what is necessary to keep the specified systems functioning as designed and installed.

Building consent information gathering

* Ensure that building consent applicants provide detailed specified system descriptions, performance standards and the proposed IMR procedures for these systems as part of the building consent application (including interfacing systems). Refuse to accept the application for processing if this information is not provided (as part of the s45(g) Building Act 2004 check). The quality of the compliance schedule is dependent on the quality of specified system information supplied at building consent application time. (Refer to the definition of 'plans and specifications' under s7 of the Building Act 2004).

Unoccupied buildings

* For any unoccupied or vacant building with a compliance schedule, consider the option of amending the compliance schedule to reflect an agreed reduced IMR procedure (between the TA and owner) for all installed specified systems. Once the building is reoccupied, the compliance schedule needs to be amended to revert to its original IMR procedures.

Public information

* Consider enhancing the public information relating to compliance schedules and BWoFs on WBCG's website by considering MBIE's suggested 'tweaks'/amendments.

BWoFs

* Ensure all BWoFs are checked against the compliance schedule, 12As and IQP register, and when necessary take appropriate follow-up action.
* Also ensure all prescribed information is provided and appropriate. It was noted that some of the fields on the BWoFs were populated with inappropriate text or simply left blank.

Draft compliance schedules

* Since the processing officer is familiar with the plans and specifications, including the details of the proposed or altered specified systems, it is strongly recommended that MPDC prepare draft new/amended compliance schedules (preferably water-marked) during building consent processing and attach to the building consent (Form 5).
* The building consent is required to state if a compliance schedule is or is not required for the building, list the specified systems and provide their performance standards. If appropriately cross-referenced in the building consent, it is acceptable for the draft compliance schedule to be attached to the building consent. MBIE is of the view that this procedure satisfies the requirements of the Building Act 2004 and prescribed Form 5.
* The draft compliance schedule is also a useful checklist/reference document which will assist the building inspector when undertaking the final inspection. (If possible, MBIE would suggest that a staff member with expertise in specified systems and the compliance schedule/BWoF system accompany the inspector on the final inspection).
* A draft is particularly useful when a certificate for public use (CPU) is issued (refer to page 7 of MBIE's guidance document *Compliance Schedule Handbook*). As well as stating an expiry date and the need to publicly display the CPU, it should be conditioned to require the specified systems to be inspected, maintained and records kept, in the interim, in accordance with the draft compliance schedule until such time that the final compliance schedule can be issued with the CCC. MBIE noted that although the CPU for the MPDC community hall/library/offices was publicly displayed on the external glazing adjacent to the main entry and had an expiry date, it did not cover how, in the interim, the installed specified systems were to be inspected, maintained and reported upon.

- MBIE is now of the view that the current legislation does not prevent a compliance schedule and a compliance schedule statement from being issued with the CPU. If a council elects to do this, it will be necessary to attach the previously issued compliance schedule to the CCC when it's issued in order to comply with s102(2) of the Building Act 2004.

On-site audits

- 5 of 5 buildings audited (with existing compliance schedules) required specified systems to be added and/or deleted and/or include different types of a given specified system. (MPDC were handed MBIE's completed audit sheets for all 5 buildings and 2 'marked-up' compliance schedules for Matamata Primary School and Tank/Farmlands/Momento Cafe).

- For example, at Icepak Waharoa, external drenchers (SS1) to the north wall adjacent to the bulk fuel tank, an access-controlled door (SS3/2) to the main entrance, and fire separations (SS15/3) to the electrical switch room were sighted but were not included in the compliance schedule. Also mechanical ventilation/air conditioning (SS9), emergency power (SS14/1) and smoke separations (SS15/5) are currently on the compliance schedule and may need to be deleted as they appear to be non-existent (suggest MPDC need confirmation from the relevant IQPs). Furthermore, specific mention needs to be made (under SS2) of the linear heat detection cable (in the container loading area) and the Vesda smoke detection system (in each of the cool rooms), in lieu of traditional point heat and smoke detectors respectively.

- At MPDC community hall/library/offices, the training exercise revealed the following installed specified systems that need to be captured in the compliance schedule:
  - SS2 Emergency warning systems (manual call points, smoke detectors with localised heat detectors)
  - SS3/1 Automatic doors (2 sets of sliding doors)
  - SS3/2 Access-controlled doors (7 No.)?
  - SS4 Emergency lighting (illuminated exit signs, Spitfires)
  - SS7 Back-flow preventer (double check valve within property boundary on Tainui St frontage)
  - SS9 Mechanical ventilation/air conditioning
  - SS14/2 Signs for SS1-13 (signs re manual call points, release to automatic doors and access-controlled doors)
  - SS15/2 Final exits
  - SS15/3 Fire separations (-/60/30sm door to records store, -/30/30sm door to book returns/store adjacent to main entry)
  - SS15/4 Exit signage.
    (Copy of MBIE's completed audit sheet was handed to MPDC).

- MBIE noted the following issues during the training audit of MPDC community hall/library/offices:
  - Currently the building does not comply with Building Code clause G5.3.5 in relation to providing listening systems which enable enhanced hearing by people with hearing aids. (Note: when installed, this specified system needs to be included in the compliance schedule under SS12).
  - No tags fitted to the 2 sets of double doors in 2hr fire-rated walls to the auditorium and one door was damaged on the bottom edge.
  - Appeared that no emergency lighting was provided to wc/washroom areas.

- Inspect penetrations through fire/smoke separations whenever possible (although difficult, as passive fire protection is a specialist area and difficult to identify without drawings/fire reports attached to the compliance schedule). At Icepak Waharoa, it appeared that penetrations in the concrete block wall adjacent to the main building had compromised the fire separation of the electrical switch room.

Item 6.11

Attachment A

- MBIE's view is that it is good practice to have a 3 to 5-year audit cycle (20-33% per annum) and the audit frequency of a given building should reflect the perceived risk for the use of that building. Therefore, for instance, it might be appropriate to have annual audits for budget accommodation (eg backpackers' hostel) and 5-yearly audits for low-occupancy industrial buildings. Audits provide the opportunity to 1) assess the authenticity of IQP's paperwork 2) check the accuracy of the compliance schedule (ie confirm the presence of specified systems 3) educate the building owner 'face-to-face' of their legislative responsibilities (preferably as early as possible after the issue of the compliance schedule).
- MBIE would encourage 'marking-up' floor plans when carrying on-site BWoF audits and attaching these to the compliance schedule. These plans help to easily identify the locations of specified systems within a building and are especially useful for back-flow preventers which are often difficult to locate.

NTFs and infringement notices

- When issuing NTFs, insert the actual Building Act 2004 text to which the non-compliance refers. This overcomes the problem that can result from paraphrasing which can unintentionally lead to a change of interpretation and could possibly result in the NTF being technically challenged.
- MBIE recommends that MPDC adopt a policy to issue infringement notices for building offences. Once adopted and when appropriate, MPDC could issue infringement notices for any of the 5 compliance schedule/BWoF infringement offences as stated in Schedule 1 of the Building (Infringement Offences, Fees, and Forms) Regulations 2007. These offences include failure to supply a BWoF to the TA (infringement fee of $250), which was introduced on 1 January 2015. If NTFs are ignored, MPDC should proceed to issue infringement notices ($1000 infringement fee) as this may provide the necessary incentive for owners to comply. If prompt compliance is achieved, the TA has the option to waive the payment of the infringement fee.

Staff training

- Provide targeted specified system(s)/compliance schedule/BWoF training (eg Building Networks, BOINZ Training Academy, Association of Building Compliance branch meetings and conference) to all relevant staff (eg administration and BCOs) so that there is a greater spread of knowledge within the BCA and TA. As a suggestion, perhaps look at the possibility of MPDC staff spending a couple of days with Hamilton CC's compliance schedule/BWoF team.
- Consider holding regular meetings of compliance schedule/BWoF officers within the WBCG, in order to develop some regional consistency. Another option would be to contact Cindy Mason at Western Bay of Plenty DC (cindy.mason@westernbay.govt.nz) to see if it was possible to join the existing group of compliance schedule/BWoF officers for Lakes-Coast cluster of BCAs who hold quarterly meetings.

Miscellaneous

- A copy of all MPDC correspondence to the IQPs should be sent to the owner to keep them fully informed of any ongoing issues.
- Home-based hairdressing salons (where solely operated by the house occupier ie no staff employed) require back-flow prevention devices via a building consent, but not a compliance schedule, as essentially the building remains a single household unit. A cable car is the only specified system that requires a single household unit to have a compliance schedule.

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Next steps

MBIE will do some form of follow-up with MPDC during the 2018-19 financial year (ending 30 June 2019) to assess progress in dealing with the recommendations of this report.
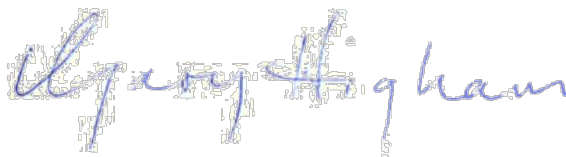
In the meantime, could MPDC please supply MBIE, by Monday 3 September 2018, with the following statistical information for the period 16 April 2018 to 24 August 2018:
- Amended compliance schedules issued
- On-site BWoF audits carried out
- NTFs for compliance schedule and BWoF matters issued
- Infringement notices for compliance schedule and BWoF matters issued.

As the 2015-17 technical reviews dealt with the same terms of reference as the current financial year, you may be interested in reading the summary report which is available on MBIE's website (refer to https://www.building.govt.nz/building-officials/technical-reviews/summary-2015-2017-council-technical-reviews/).

Acknowledgement

MBIE would like to thank MPDC's building control management and staff for its cooperation and assistance during the technical review. We trust you have found the review to be of some value and have seen it as an opportunity to improve some of your building control activities.

Gary Higham
Senior Advisor (Building System Assurance Team)   20 April 2018

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Attachment A

Item 6.12

Annual Insurance Review

Trim No.: 2019616

Executive Summary

The Audit & Risk Committee work programme includes the review of Council's insurance arrangements.

The main points for consideration are:

- Does Council have the appropriate types of insurance?

- Is the cover adequate?

A summary of the insurance arrangements is included in the report.

Recommendation

That:

1.   The information be received.

Content

Background

The Controller and Auditor General published a report in June 2013 – Insuring Public Assets.

The report states that public entities need to consider six questions when considering insurance. These questions are included under the Issues section below.
As a member of the Waikato Local Authorities Shared Services (WaiLASS), Council places most of its insurance through AON insurance brokers (AON). The exception is liability insurance.

Liability insurance was previously secured through a local authority cooperative – RiskPool. That scheme ceased as at 30 June 2017. Jardine Lloyd Thompson Limited had previously acted for RiskPool and secured coverage for RiskPool members.

Issues

What is the assessed risk of assets not being available to provide public services in the future, and what is the most appropriate way to manage it?

Natural disaster is the main source of risk that could have widespread impact on Council assets and the availability of public services.

The extent of asset disruption has been assessed in financial terms at a high level by AON working with the WaiLASS.

It is expected that a large loss would cause $20-$25 million of damage to assets. This would be an infrequent event. A more likely scenario for Council is a loss of $2-$5 million. This is based on average assumptions (i.e. average ground, average material response) and Council's spread of assets. Our risk profile is helped that our urban centres are fairly distinct geographically.

Further in-depth analysis is required to refine these loss estimates. This would include more detailed assessment of asset information (material type/diameter and location), ground conditions, water table levels etc.

Council's insurance cover reflects the current state of knowledge.

The following actions have been undertaken or are underway to manage the impact of major events on our assets:

- Asset Management Plans for roading, water, wastewater, solid waste, stormwater, Community Facilities and Buildings are in place and are continuously improved.

- Business Continuity plans have been developed for water, wastewater and solid waste.

- Council is a member of the Waikato Lifelines Utilities group. This group has the mission to "*enhance the connectivity of lifelines utility organisations across agency and sector boundaries in order to improve infrastructure resilience".*

How well are risk assessments being done to inform decisions about insurance, including assessments of the likely costs to replace assets?

Other than the work undertaken by AON, risk assessments have tended to focus on risk mitigation actions as opposed to insurance decisions. The exception being decisions on the levels of excess for the respective insurance policies.

AON has been coordinating a project to improve WaiLASS members knowledge of potential loss exposures and associated loss expectancies. This work will be linked to a review of asset values. This will then enable Council to make more informed decisions on risk, risk management and risk transfer.

We expect our assessment to be completed next financial year.

A Local Government New Zealand insurance review recommended that councils spend more resources on risk profiling, risk management and risk mitigation to improve self-reliance and resilience in infrastructure.

This resulted in a business case being prepared to establish a risk management entity (Local Government Risk Agency). The agency would:

- harmonise risk practices

- improve local government skills in management and financing

- provide quality assurance

- share data and best practice risk modeling

- supply expert staff

One outcome is that the learnings and information would inform insurance decisions.

We understand the final approval of the establishment of the agency sits with the Government.

Is the right amount and nature of insurance cover being obtained to ensure that public services can continue to be delivered?

Insurance cover is based on the financial values in asset registers. Most assets are regularly revalued. The exceptions being motor vehicles, furniture and equipment.

Valuations for the purposes of financial reporting can differ markedly from replacement costs arising from an event (eg earthquake).

The financial values will continue to be used as the basis of insurance values until better information is available (eg loss modelling work is undertaken).

Staff participate in a WaiLASS insurance advisory group that considers relevant insurance issues.

An example of the activities undertaken by the group is the investigation into appropriate Cyber-security insurance in 2017.

A schedule of Council's current insurance coverage is attached.

AON produces a schedule of the most common classes of insurance which is also attached.

Management is comfortable that with the professional oversight of AON, there are no major omissions in insurance cover.

Is insurance being acquired in the most cost-effective way?

Council acquires most of its insurance through the WaiLASS group scheme. This collective approach is considered to be more attractive to the insurance market than if Council acted on its own.

How much can be prudently borrowed to replace uninsured assets?

Council has a debt limit under the financial strategy of 150% of revenue.

The long term plan indicates that Council's debt will be less than two thirds of the permissible debt level for the 10 year period.

Council could conservatively borrow $30 million in any year of the 10 year plan to replace uninsured assets.

Has the risk of all uninsured assets been assessed centrally, and is the risk being appropriately managed?

Roading assets are not insured. All other assets on Council asset registers are insured.

It is not considered affordable to insure all road assets.

At a previous insurance review the Audit and Risk Committee considered the costs of insuring bridges.

It was agreed that this should be advanced subject to final costs.

The focus in the first instance has been on critical bridges.

More detailed information on the condition of the bridges was collated in December and forwarded to AON for consideration.

We have yet to finalise insurance cover for these bridges.

Attachments
A. Insurance Schedule 2017-2018
B. AON Schedule of Insurances 2018

Signatories

Author(s)	Manaia Te Wiata	
	Group Manager Business Support	
Approved by	Manaia Te Wiata	
	Group Manager Business Support	

Description	Premium	Insurer	Rating	Notes	Cover 2017/2018	Cover 2016/2017	Excess	Other
Material damage (Fire only)	$ 45,203.02	AIG Insurance NZ Ltd	A	Fire including Fire occasioned by or through or in consequence of any Natural Disaster Including, but not limited to all tangible and personal property of every type and description either:- - Owned in whole or in part by the insured - and/or the interest of the insured in property of others held in commission - and/or property on consignment and/or for which they have assumed or may assume liability - and/or property of others which the insured has agreed to insure whether held by the insured or by others - and/or property for which the insured is legally liable - at the sole option of the insured, any personal property of officers and employees, subject to a specified limit	$15m any one loss	$15m any one loss	$ 5,000	
Crime Policy	$ 11,058.98	AIG Insurance NZ Ltd	A	Insuring Clauses: Fidelity Guarantee; Third Party Crime; Electronic and Computer Crime; Destruction of Money; Criminal Damage to Property; Erroneous Funds Transfer	$2m	$2m	$ 25,000	
Business Interruption	$ 1,018.33	AIG Insurance NZ Ltd	A	Consequential Loss resulting from Physical loss or damage to any property used by the Insured, as below Physical loss or damage of any property or any part used or to be used by the Insured leading to interruption to the business as detailed under limit of liability below, including but not limited to the destruction and/or damage caused by: - Such risks as are covered under the Insured's Material Damage Insurance Policy(s) being: - Material Damage Fire - Material Damage Excluding Fire including earthquake - Explosion/Implosion of any pressure vessel on the premises or elsewherel	$10m and claim preparation costs $2.5m	$10m and claim preparation costs $2.5m	7-14 days	
Commercial motor vehicle	$ 37,580.10	Lumley	AA-	Cover includes, but is not limited to:Section I - All vehicles, mobile plant and auxiliary equipment of every description, owned, used, leased, lent,borrowed, hired or under the Insured's care. Section II - Any liabilities causing damage, bodily injury or financial loss to third parties arising from or in connection with the Insured's use of any vehicle.	$ 1,980,900	$ 2,493,500	1% of sum insurances with $500 minimum	
Material Damage (excluding fire)	$ 199,529.53	AIG Insurance NZ Ltd (lead insurer)	A	All risks including Earthquake, but excluding Fire including Fire occasioned by or through or in consequence of any Natural Disaster Including, but not limited to all tangible and personal property of every type and description either:- Owned in whole or in part by the insured - and/or the interest of the insured in property of others held on commission - and/or property on consignment and/or for which they have assumed or may assume liability - and/or property of others which the Insured has agreed to insure whether held by the insured or by others - and or property for which the Insured is legally liable - at the sole option of the insured, any personal property of officers and employees, subject to a specified limit.	$146m any one loss and in the aggregate	$150m any one loss and in the aggregate	Non-earthquake $10,000 Earthquake, volcanic eruption, hydrothermal - 5% of material damage site, minimum of $10,000	Various sub-limits applicable

Description	Premium	Insurer	Rating	Notes	Cover 2017/2018	Cover 2016/2017	Excess	Other
Infrastructure insurance	$ 37,082.93	AON Group ltd (London)	NR	Material Damage Natural Catastrophe Insurance - including - Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic eruption, Hydrothermal &: Geothermal Activity and Subterranean Fire and Business Interruption resulting there from. Excess for Subsidence and Landslip is as per standard Council excess	$ 255,389,306	$ 238,389,307	$ 500,000	Loss limit $300m any one loss combined with another Council. MPDC specific sub-limit - $50m.
Infrastructure insurance - primary layer	$ 18,661.80	HDI-Gerling Industrial Insurance Company Ltd	?	Material Damage Natural Catastrophe Insurance - including - Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic eruption, Hydrothermal &. Geothermal Activity and Subterranean Fire and Business Interruption resulting there from. Excess for Subsidence and Landslip is as per standard Council excess	per infrasructure insurance	$ 238,389,307	$ 300,000	LOSS LIMIT $6,000,000 each and every loss with $12,000,000 in the aggregate. 1 Automatic Reinstatement at Renewal Premium Rate
Employers liability	$ 1,218.43	AIG Insurance NZ Ltd	A	Liability arising out of claims made by Employees for injuries outside the scope of the Accident Compensation Corporation	$ 2,000,000	$ 2,000,000	$ 1,000	
Statutory liability	$ 4,728.09	AIG Insurance NZ Ltd	A	Defence Costs, Fines and Penalties arising from unintentional breaches of the Insured Acts. Excluded Acts: Arms Act 1983, Aviation Crimes Act 1972, Crime Act 1961, Proceeds of Crimes Act 1961, Summary Offences Act 1981, Transport Act 1962, Transport (Vehicle and Driver Registration and Licensing Act) 1986 and Real Estate Agents Act 2008.	$ 2,000,000	$ 2,000,000	$ 1,000	Any one claim and in the aggregate any one period of insurance
Public Liability & Professional Indemnity	$ 42,310.80	QBE and other London underwriters	A+	Protection for legal liability in connection with the business and arising from occurrences resulting in personal injury or property damage Protection of legal liability in respect of a breach of any professional duty arising from a negiligent act, error or omission	$300m except Environmental Impairment Liability ($300,000)	$200m (note $500,000 limit for weather tight claims)	$ 25,000	Each and every claim and in the aggregate
Cyber-Liability Policy	$ 7,977.70	Berkshire Hathaway	AA+	Rectification of computer systems arising from acutal or suspected breach by viruses or unauthorised third party access of computer systems.	$ 1,000,000	$2m	$25,000	

UNINSURED RISKS

The following classes of insurance have been discussed members. The boxes are ticked below for the group as a whole, not all members participate in all these covers. Please refer to individual manuals. The list is not exhaustive, but it includes the most common classes of insurance. If you know of other uninsured risks, please contact us and we will advise you whether insurance is available.

Policy & Description of Cover	I	Q	D	N
PROPERTY & BUSINESS INTERRUPTION			Copy Tick	☑
Advance Profits Covers loss of future income where completion of a construction project is delayed by damage	☐	☐	☐	☑
Boiler Explosion Covers boilers and other pressure vessels against risk of explosion; commonly excluded from cover under Material Damage Insurance	☑	☐	☐	☐
Book Debts Covers loss resulting from inability to recover debts because of damage to records	☐	☐	☐	☑
Business Interruption Covers loss of income and increased costs resulting from damage to assets; sometimes referred to as "Loss of Profits" or "Consequential Loss" insurance	☑	☐	☐	☐
Computer Crime Covers losses resulting from dishonesty in relation to computers	☑	☐	☐	☐
Computer Covers computers and computer media against a wider variety of risks than those covered under a Material Damage policy	☑	☐	☐	☐
Computer Consequential Loss Covers financial losses and extra costs, including data reconstruction, following damage covered under a computer policy	☐	☐	☐	☑
Contract Works Covers physical loss or damage and, as an option, to cover public liability arising in connection with the contract works	☑	☐	☐	☐
Fidelity Covers theft by employees; this risk is commonly excluded from cover under Material Damage insurance	☑	☐	☐	☐
Gross Rentals (Rents Receivable) Available under a Business Interruption policy. Covers loss of rent money paid or payable to you in respect of the rental of your premises from damage caused by such risks as are covered under the Material Damage policies.	☑	☐	☐	☐
Machinery Breakdown Covers breakdown risks – these risks are commonly excluded from cover under Material Damage insurance	☐	☐	☐	☑
Machinery Business Interruption Covers loss of income and increased costs resulting from damage by a peril insured under a Machinery policy. Works as a partner to the Machinery Breakdown policy	☐	☐	☐	☑
Material Damage A general form of policy on buildings, plant and stock	☑	☐	☐	☐
Money Covers cash and other forms of money against loss or damage whilst it is at your premises or in transit	☑	☐	☐	☐
Stock Deterioration Provides cover following accidental stoppage of refrigeration equipment for chilled or frozen goods; usually only available in conjunction with Machinery Breakdown insurance	☑	☐	☐	☐
Terrorism This risk is commonly excluded from cover under Material Damage insurance	☐	☐	☐	☑
LIABILITY RISKS				
Bailees Liability Covers liability for damage to property held under bailment, or in your custody and/or control	☐	☐	☐	☑
Directors & Officers Liability Covers Directors & Officers against liability they might incur in carrying out the duties of a company director or officer. The insurance will also reimburse the company where it has already indemnified its directors for any such liability; cover includes associated defence costs.	☐	☐	☐	☑
Employers Liability	☑	☐	☐	☐

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Covers the employer company's liability for injury to employees that falls outside the scope of ACC; cover includes associated defence costs

LIABILITY RISKS (*cont*)	I	Q	D	N
Employment Disputes Liability *Covers damages and costs arising out of certain employment related disputes such as wrongful termination, harassment and discrimination; cover includes associated defence costs*	☐	☐	☐	☑
Environmental Impairment *A special form of pollution liability insurance*	☐	☐	☐	☑
Exemplary Damages (also called Punitive Damages) *Covers damages arising out of bodily injury in New Zealand where the law otherwise prevents legal action for compensatory damages*	☐	☐	☐	☑
Extra Territorial Workers Compensation *Covers liabilities where employees are injured outside their normal country or state of employment and are not covered by the relevant statutory policy*	☐	☐	☐	☑
Forest & Rural Fires Act *For costs imposed by statutory authorities under legislation*	☐	☐	☐	☑
Legal Expenses *Covers legal expenses incurred in civil action*	☐	☐	☐	☑
Liability – Consequential Loss *To partially cover loss of gross profit and increased costs arising from an event that also gives rise to a valid claim on a liability policy; this limited form of cover is only available where the liability insurance is provided by the same insurer*	☐	☐	☐	☑
Libel & Slander/Defamation *Covers legal liability arising out of defamatory remarks made in either written or oral form; cover includes associated defence costs*	☐	☐	☐	☑
Private Legal Aid *Covers private persons and their families for private legal aid costs for defending a variety of criminal, traffic & civil actions*	☐	☐	☐	☑
Product Guarantee *Covers liability for correcting defects in products or for replacing defective products*	☐	☐	☐	☑
Product Liability *Covers liability arising for damage arising out of products supplied; cover includes associated defence costs*	☐	☐	☐	☑
Product Recall *Covers liability for the cost of recalling products which are defective or suspected of being defective*	☐	☐	☐	☑
Professional Indemnity &/or Errors & Omissions *Covers legal liability incurred by giving negligent advice or through a breach of professional duty; cover includes associated defence costs*	☑	☐	☐	☐
Prospectus Liability *Covers the Company, its directors and senior executives for liabilities arising from the issue of a prospectus, information memorandum or other sale/purchase documents. This liability is generally excluded from Directors & Officers Liability policies unless they are specifically extended to cover it. Cover includes associated defence costs;*	☐	☐	☐	☑
Public Liability *Covers general liability for damage or injury happening in connection with the business; cover includes associated defence costs*	☑	☐	☐	☑
Statutory Liability *Covers fines or penalties imposed for unintentional breaches of certain statutes; cover includes associated costs*	☑	☐	☐	☐
Trustees Indemnity *Covers Trustees for personal liability arising from a breach of their fiduciary duties and to reimburse the trust when it has provided an indemnity to the trustees; cover includes associated defence costs*	☐	☐	☐	☑
Warranties & Representations Liability *Covers liability arising from specific representations or warranties made in an agreement between parties; particularly relevant in the sale and purchase of businesses*	☐	☐	☐	☑

HUMAN RESOURCE RISKS	I	Q	D	N
Accident Compensation Supplementary Benefits *To supplement the limited cover available under Accident Compensation legislation*	☐	☐	☐	☑
Employee Benefits *Includes a variety of special forms of insurance including life insurance, long term disability, salary continuance, medical expenses and superannuation*	☐	☐	☐	☑
Key Person *To provide cash benefits to the company in the event of death or disablement of key personnel*	☐	☐	☐	☑
Personal Accident *To provide cash benefits in the event of death or disablement following accident to insured person*	☑	☐	☐	☐

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Attachment B

TECHNOLOGY RISKS	I	Q	D	N
Intellectual Property Pursuit Coverage *Covers legal expenses to enforce intellectual property rights that are infringed by a Third Party*	☐	☐	☐	☑
Media Liability *Covers advertising injury, defamation, breach of third party intellectual property through operating on the internet or via email; includes liability to third parties from inadvertent transmission of viruses*	☐	☐	☐	☑
Network Security *Covers costs of repairing/restoring your computer systems and records damaged as a result of a virus, denial of service or hacker attack; can include resultant loss of earnings/ increased cost of working*	☐	☐	☐	☑

TRANSPORT RISKS	I	Q	D	N
Aviation Hull *Covers aircraft against physical loss or damage*	☑	☐	☐	☐
Aviation Liabilities *Covers Public Liability arising out of the use of aircraft* *(Public Liability insurance does not normally cover liability arising out of the use of aircraft)*	☐	☐	☐	☑
Carriers Liability *Covers liability under the Carriage of Goods Act*	☐	☐	☐	☑
Charterers Liability (Aviation/Marine Hull) *Protection tailored to meet the conditions of a Marine or Aviation charter agreement for hull and/or liabilities*	☐	☐	☐	☑
Marine Cargo *Covers shipments of goods by land, sea or air*	☐	☐	☐	☑
Marine Hulls *Covers watercraft against physical loss or damage*	☑	☐	☐	☑
Marine Liabilities *Covers Public Liability arising out of the use of watercraft*	☐	☐	☐	☑
Motor Vehicle *Covers direct loss or damage to vehicles & Public Liability (third party liability) in connection to the vehicles*	☑	☐	☐	☐

MISCELLANEOUS RISKS	I	Q	D	N
Accidental & Malicious Product Damage/Tamper *Crisis Management providing cover for Product Recall, Restoration Costs, Loss of Income and Incident Response Costs (following product tamper)*	☐	☐	☐	☑
Bonds *Financial devices (rather than insurance policies) designed to avoid the need to provide a bond in cash)*	☐	☐	☐	☑
Civil Defence Emergency Costs *Covering Councils for Emergency civil defence costs in relation to a formally declared Civil Defence Emergency*	☑	☐	☐	☐
Credit Insurance & Trade Debtors *Covers risk of trade debtors failing to pay debts due to their insolvency or protracted default*	☐	☐	☐	☑
Extortion *Includes kidnap, ransom and product tampering insurance*	☐	☐	☐	☑
Forest and Rural Fires Act *Covers costs and expenses of fire-fighting incurred in the capacity of Fire Authority for a Rural District under this Act*	☐	☐	☐	☑
Forest *This risk is commonly excluded from cover under Material Damage insurance*	☐	☐	☐	☑
Growing Crops *This risk is commonly excluded from cover under Material Damage insurance*	☐	☐	☐	☑
Livestock *This risk is commonly excluded from cover under Material Damage insurance*	☐	☐	☐	☑
Political Risk *Covers confiscation, expropriation or nationalisation of overseas assets and contracts; can also include cover against frustration or repudiation of a contract*	☐	☐	☐	☑
Travel *Covers baggage, medical costs and other travel related risks*	☑	☐	☐	☐

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Annual Insurance Review

Information Technology Security Audit 2017

Trim No.: 2019690

Executive Summary

The Audit and Risk Committee recommended that an information technology security audit be undertaken every year.

The audit was undertaken in December and the resulting report is now available for the Committee (circulated separately).

This report provides a summary and update of the recommendations from the audit.

Recommendation

That:

1.   The information be received.

Content

Background

Information Technology (IT) security audits have historically been completed approximately every three years.

The Audit and Risk Committee recommended that the audits be undertaken every year. This is in recognition of the rapidly developing and growing cyber-threats.

KAON IT security (KAON) provides information technology security services to a range of government and commercial enterprises in New Zealand.

KAON has undertaken two previous security audits for this Council.

KAON was engaged in 2017 through procurement processes managed by Waikato Local Authority Shared Services.

Issues

Major Findings

The Executive Summary from the report has been reproduced in full in this report.

A technical security audit of the Matamata Piako District Council network was performed in December 2017

This is our third such technical security audit of this site. The previous audit was performed in December 2014.

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The audit included examination of the operation of the network, attached computer systems and security procedures relating to the use of the computers and network.

The majority of the security vulnerabilities can be resolved through the adoption of effective procedures and changes to system configuration while a number of the observed vulnerabilities will require investment in new technology in order to be resolved.

It should be noted that there are significant improvements in some areas since our previous audit and is to be commended.

A summary of our audit findings are as follow:

- *The Council uses Windows Server Update Service (WSUS) for system patch management and deployment. There has been a significant improvement in this area with only a small number of system security patches missing. Timely application of security related system patches is considered to be one of the best means of protecting systems against technical security attacks.*

- *There are a small number of critical workstation patches missing within the selection of workstations scanned as part of this audit.*

- *There are some Adobe patches missing across the server farm and workstations. We were unable to identify an effective process for patching these applications and have recommended that such a process be developed.*

- *There are good antivirus controls with the majority of scanned servers being protected and up to date with regard to antivirus profiles. However we identified a small number of servers with no anti-virus protection installed, or real time protection enabled. It is critical Windows systems have anti-virus protection installed unless there are very good technical reasons for not having anti-virus protection installed. We have recommended that for each of the servers without anti-virus installed, a justification is provided.*

- *There are good antivirus controls with all workstations within the selected scan group being protected and up to date with regard to antivirus profiles.*

- *There is an effective data backup system in place with appropriate procedures in place to ensure the viability of data in the event of system loss. We were informed a further backup set will be located outside of the region in the near future for further assurance.*

- *We were unable to identify workstation controls to restrict users from changing critical system settings, prohibit users from exploring the network, or altering their internet settings. In particular we note that the Control Panel application and Command Prompt function is accessible to all users.*

- *An information leakage risk exists should a laptop computer containing sensitive information be lost or stolen. We have recommended that an encryption system be implemented for laptop computers in order to prevent sensitive information being viewed in the event that a laptop computer is lost or stolen.*

- *An information leakage risk exists should removable media containing sensitive information be lost or stolen. We have recommended that encryption of removable media and associated auditing processes be implemented.*

- *The council has an effective email content control system and archiving system.*

- *There are internal email relays present on the network as a result of inappropriately configured email servers. Three of these mail servers can be exploited to send falsified email messages and we have recommended that these servers configuration be modified to prevent mail relaying.*

- *The main computer room has effective access control and environmental control systems.*

- *The Council now uses domain level authentication plus Google authenticator for remote user authentication. This type of authentication is called multi-factor authentication and greatly improves security in terms of remote access.*

- *We identified a number of generally available shares that we believe expose sensitive information. We have recommended that company personnel determine the actual level of information exposure on these servers. In the event that the exposure is verified, then appropriate access controls should be implemented.*

- *There are an appropriate number of domain administrators on the network however we have made recommendations to have a separate 'standard' domain user account for day to day operations and another account with elevated privileges for domain administrative functions.*

- *The user enrolment procedure is in line with those observed at most organisations and users are issued with a randomly generated initial password.*

- *There are weaknesses in the user departure process related to shared login credentials which cause occasional problems.*

- *The management of core networking devices is visible on the network and we have made a recommendation to implement a segregated management network with access controls only permitting authorized users access.*

The tools used for this audit are designed to identify the most common vulnerabilities identified on today's networks. These tools have then been backed with the site audit experience of Charl du Plessis to identify non-technical risks that are commonly observed.

There may be risks to the site that we have not observed due to these being transient risks and therefore not active at the time of the scan. It should also be noted that technical threats are constantly changing and constant vigilance is required in order to ensure the security of the site.

Kaon SecurITy

Charl du Plessis
Senior Technical Consultant
Dec 6th 2017

Status of recommendations

The table of recommendations from the audit report is included below. We have also indicated whether the recommendation has been actioned.

There are 56 recommendations :

- 1 Critical – complete
- 28 High – 23 complete
- 18 Medium – 8 complete
- 9 Low – 4 complete.

The team will work through the remaining recommendations and provide an update on the status to the next Audit and Risk Committee meeting.

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Item Number	Item Description	Recommendation	Technical Security Rating
WS02	Browser settings	We recommend that users be prevented from changing their browser settings in order to prevent browser security settings being altered.	Medium
WS03	Disabling command prompt	We recommend that the operating system command prompt be disabled for standard users.	Low
WS04	Restricting control panel for users	We recommend that the use of the Windows control panel be restricted to ensure that users do not modify system settings.	Medium
WS05	Network browsing restrictions	We recommend that standard users are not able to indiscriminately browse network resources from within Windows Explorer.	Medium
WS07	Re-validate user access permissions	We recommend that standard users are not able to save information to local hard drives	Medium
FS01	Open file shares	We recommend that access to potentially sensitive information is restricted by ensuring that this information is not held in, or transferred via, generally open shares.	High DONE
FS02	Open File shares	We recommend that shares exposing sensitive information have their effective rights modified in order to eliminate the information exposure.	Critical DONE
FS03	Policies and procedures	We recommend that the Council immediately instigate policies, procedures and processes to effectively restrict information to users on a need to know basis.	High
PP01	Password protection	We recommend that the domain password setting be modified as follows… Administrator Accounts minimum password length – 12 characters	Medium
UC01	Re-validate user accounts	We recommend that the status of all the user accounts in the user listing be verified and invalid accounts disabled or removed.	High DONE
UC02	Generic user accounts	We recommend that generic accounts not be used wherever practical.	Medium REVIEWED
UC03	User departure procedures	We recommend that the procedures relating to user departure are reviewed to ensure that all accounts associated with persons no longer working at, or contracted to, the council are disabled and deleted in a timely manner.	High DONE

UC04	Third-party accounts	We recommend that accounts for third-party support purposes be disabled when not required.	High DONE
AR01	Re-validate domain administrator accounts	We recommend that the status of each of the accounts with domain administrator rights be verified and a justification provided to ensure that these accounts require administrator level access to all systems and information on the network. Where the activity can be performed with lower level administrator rights the domain administrator rights should be revoked.	High DONE
AR02	Individual Administrator accounts	We recommend that all administrator activities are performed using named accounts so that an audit trail of activities can be captured.	Medium DONE
AR03	Domain administrator accounts	We recommend that domain administrators have one account for normal operations and one account for domain administrative purposes.	High DONE
AR04	Password length for domain admins	We recommend that all domain administrator accounts have passwords set at a minimum 12-character length.	Medium
AR05	Records management	We recommend that a role based access recording system be implemented to ensure that records are kept of all users with administrative access to both internal and external systems.	Medium Done for IT Managed systems (Facebook with Comms team, Vault/Promapp with HandS etc)
SL01	Audit settings to be enabled on servers	We recommend that audit settings on all servers are updated to reflect the following settings: Restart and Shutdown　　:　　Success or Failure Logon and Logoff　　　　:　　　Success or Failure File/Object Access　　　　:　　　Success or Failure Use of User Right　　　　:　　　Success or Failure	Medium Done via Netwrix reporting

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		Process Tracking : Failure Security Policy Changes : Success or Failure User/Group Management : Success or Failure		
SL02	Audit log retention – user logons	We recommend that logs from all systems that can authenticate users be retained for a minimum of one month.	Low Done via Netwrix reporting	
SL03	Audit log retention – system and events logs	We recommend that Server System Logs, Event Logs and Security Logs be retained for a minimum of one month.	Low Done via Netwrix reporting	
SL04	Audit log review – remote access	We recommend that remote access logs are checked frequently for both valid login and for failed login attempts. This will ensure that any failed access attempts or unauthorised remote access is detected in a timely manner.	Low Done via Netwrix reporting	
SL05	Audit log retention – remote access	We recommend that VPN remote access logs are retained for a period of three months.	Low Done via Netwrix reporting	
UM02	User profiles	We recommend that the user account process be based on role templates rather than copying previous user account profiles. The use of role templates removes the risk of inadvertently copying accounts with elevated privileges.	Low	
UM04	User access permissions	We recommend that a procedure be put in place to verify user access permissions during new user enrolment.	Low	
UM05	User departure process	We recommend that HR provides timely notice (5 days) to IT with regard to departures, and that a process is implemented to review network accounts on a regular basis. Note HR typically gives 30 days notice. IT process required to manage.	High	
UM06	Review user access rights	We recommend that a process be developed to ensure that user rights are reviewed whenever a user changes job roles.	Medium	

UM08	Re-validate user access to third-party and cloud	We recommend that the process include a check of access to 'cloud' and other third party provided services in order to ensure that access to those services is also terminated	High
EP04	Email protection	We recommend that the identified email relays be closed. This can be achieved within Microsoft Exchange systems by restricting the source address of incoming SMTP connections.	Medium DONE
AV01	Anti-virus protection	We recommend that the council implements anti-virus on all servers and workstations and that it is kept up to date. A justification must be provided for systems without anti-virus installed.	High DONE
PA01	Patch management	We recommend that all systems be brought up to date with Microsoft security patches/updates as soon as practical, including third-party applications.	High DONE
PA02	Patch management	We recommend that the council implement processes to keep all Microsoft Windows systems up to date with 'critical' patches within 30 days of release.	High DONE
PA03	Third-party software	We recommend that the council implement processes to keep all third party software up to date with patches.	High DONE
PA04	Patching testing	We recommend that regular random tests of workstation and server patching status be taken to verify that the patching process is operating as expected.	Medium
SP01	FTP login process	We recommend that FTP servers require user level authentication for read and write processes.	Medium DONE
SP02	Default admin password to be changed	We recommend that the default administrator password be changed on this web management interface. (EMC Unisphere system)	High DONE
SP03	Default admin password to be changed	We recommend that the default administrator password be changed on this web management interface. (Solarwinds System)	High At Next upgrade
SP04	Default admin password to be changed	We recommend that the default administrator password be changed on this web management interface. (APC UPS system)	High DONE
SP05	Default admin password to be changed	We recommend that the default administrator password be changed on this web management interface.(Supermicro Server Management)	High DONE

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SP06	Default admin password to be changed	We recommend that the default administrator password be changed on these web management interfaces. (Mikrotik WAN Router Management web interfaces)	High DONE
SP07	Default admin password to be changed	We recommend that the default administrator password be changed on this web management interface. (SC200 Controller)	High DONE
SP08	Default admin password to be changed	We recommend that the default administrator password be changed on these web management interfaces. (Trango Systems APEX PLUS)	High DONE
SP09	Default admin password to be changed	We recommend that the default administrator password be changed on these web management interfaces. (EATON UPS systems)	High DONE
SP10	Default admin password to be changed	We recommend that the default administrator password be changed on this web management interface. (Universal Login Manager system)	High DONE
SP11	Default admin password to be changed	We recommend that the default administrator password be changed on these web management interfaces.(Panasonic security cameras)	High DONE
WB01	Web Content Control	We recommend that the Council review its current web content control settings and allow standard domain users access to work related Internet sites only.	Medium DONE
WB02	Web Control	We recommend the firewall rules set be reviewed to ensure users and other systems cannot bypass the web content control system.	High DONE
VP02	Remote Access	We recommend that, where practical, remote users are not granted network level access when connecting via a VPN connection and are instead restricted based on application or service port to appropriate systems only.	High Still under review. Where single application is required, this has been implemented (TeamViewer).
VP04	Remote Access	We recommend that VPN connections for third party contractors be disabled when not required.	High

			DONE
FP02	Have a firewall failure plan	We recommend council evaluate risk in the event of the firewall failing.	Low
FP03	Firewall Protection	We recommend where possible all systems accessible from the internet, be placed in a DMZ zone on the firewall.	High DONE
CR01	Computer Rooms	We recommend that a motion detection surveillance camera be installed in the server room.	Low
PC01	Encryption to be enforced on certain laptop hard drives	We recommend that all laptop computers containing information that may be deemed sensitive in the hands of third parties have their hard drives encrypted.	Medium DONE
MP01	Mobile devices security	We recommend that all mobile devices have encryption enforced. This can be done from the Microsoft Exchange ActiveSync management service or Sophos Mobile Control system.	Medium DONE
RM01	Encryption on USB devices	We recommend that, where USB storage devices are authorised, then all information transferred to these devices be encrypted with a Council specific key.	Medium DONE
RM02	File transfers – removable media restrictions	We recommend that all file transfers of information to and from removable media be logged.	Medium
BP02	Re-validate documentation process	We recommend implementing an additional method for securely storing the Council administrative password file off-line.	Medium Via offsite backups

Financial Impact

i.   Cost

The cost of the security audit was approximately $13,000.

ii.   Funding Source

The audit was funded from existing budgets.

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Attachments

There are no attachments for this report.

Signatories

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