

CENTRAL HAWKE'S BAY



I hereby give notice that a Risk and Audit Committee Meeting will be held on:

Date: Thursday, 15 August 2019
Time: at the conclusion of the Finance and Planning Meeting
Location: Council Chamber
28-32 Ruataniwha Street
Waipawa

AGENDA

Risk and Audit Committee Meeting 15 August 2019

Our vision for Central Hawke's Bay is a proud and prosperous district made up of strong communities and connected people who respect and protect our environment and celebrate our beautiful part of New Zealand.

Monique Davidson
Chief Executive

Order Of Business

1	Apologies	3
2	Declarations of Conflicts of Interest.....	3
3	Standing Orders.....	3
4	Confirmation of Minutes.....	3
5	Report Section	9
5.1	Risk and Audit Update.....	9
5.2	Drinking Water Compliance Report	38
5.3	Safety & Wellbeing Update.....	42
5.4	Governance Risk Reporting	47
5.5	Internal Audit Program	54
6	Date of Next Meeting	65
7	Time of Closure.....	65

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF CONFLICTS OF INTEREST**
- 3 **STANDING ORDERS**

RECOMMENDATION

THAT the following standing orders are suspended for the duration of the meeting:

- 20.2 Time limits on speakers
- 20.5 Members may speak only once
- 20.6 Limits on number of speakers

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

- 4 **CONFIRMATION OF MINUTES**

Risk and Audit Committee Meeting - 28 March 2019

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
RISK AND AUDIT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON THURSDAY, 28 MARCH 2019 AT THE CONCLUSION OF THE FINANCE AND PLANNING
MEETING**

PRESENT: Cr Tim Aitken
Mayor Alex Walker
Cr Gerard Minehan
Cr Brent Muggeridge
Cr David Tennent
Cr Roger Maaka

IN ATTENDANCE: Joshua Lloyd (Group Manager, Community Infrastructure and Development)
Monique Davidson (CEO)
Bronnda Smith (Group Manager, Corporate Support and Services)
Doug Tate (Group Manager, Customer and Community Partnerships)
Nicola Bousfield (People and Capability Manager)
Lisa Harrison (Organisation Transformation Lead)
Leigh Collecutt (Governance and Support Officer)

1 APOLOGIES

None

2 DECLARATIONS OF CONFLICTS OF INTEREST

None

3 STANDING ORDERS

COMMITTEE RESOLUTION

Moved: Mayor Alex Walker
Seconded: Cr Gerard Minehan

THAT the following standing orders are suspended for the duration of the meeting:

- 20.2 Time limits on speakers
- 20.5 Members may speak only once
- 20.6 Limits on number of speakers

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

CARRIED

4 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan
Seconded: Cr Brent Muggeridge

That the minutes of the Risk and Audit Committee Meeting held on 14 February 2019 as circulated, be confirmed as true and correct.

CARRIED

5 REPORT SECTION

5.1 RISK AND AUDIT UPDATE

PURPOSE

The purpose of this report is to update the Committee of Risk and Audit activities for monitoring and review purposes.

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan
Seconded: Mayor Alex Walker

That, having considered all matters raised in the report, the report be noted.

CARRIED

5.2 ADOPTION OF THE GOVERNANCE RISK REGISTER AND RISK REPORTING

PURPOSE

The purpose of this report is to consider and adopt the Corporate Risk Register and Risk Reporting to the Risk and Audit Committee

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken
Seconded: Cr Gerard Minehan

That having considered all matters raised in the report:

a) The Governance Risk Register and Risk Reporting be adopted.

CARRIED

- Cr Tennent asked whether consideration needed to be given to include potential building defects in the Governance Risk Register. It was confirmed that there would

be other mechanisms in place to operationally manage this risk outside of this register, including using producer statements for Building Consents

- Cr Minehan highlighted that this register was a good way for risks to be proactively identified at an early stage.

5.3 SAFETY & WELLBEING UPDATE

PURPOSE

The purpose of this report is to update the Risk & Audit Committee on Council's Safety and Wellbeing activities, as well as the reported incidents and near misses for Council employees and strategic contracted partners.

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Cr Gerard Minehan

That, having considered all matters raised in the report, the report be noted.

CARRIED

6 DATE OF NEXT MEETING

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Cr Tim Aitken

THAT the next meeting of the Risk and Audit Committee be held on 15 August 2019.

CARRIED

7 TIME OF CLOSURE

The Meeting closed at 11.00am.

The minutes of this meeting were confirmed at the Risk and Audit Committee Meeting held on 15 August 2019.

.....
CHAIRPERSON

5 REPORT SECTION

5.1 RISK AND AUDIT UPDATE

File Number: COU1-1408

Author: Bronda Smith, Group Manager, Corporate Support and Services

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. **Audit Action List Update 15-08-2019** [↓](#) 
2. **Valuation Benchmark Report** [↓](#) 

PURPOSE

The purpose of this report is to update the Committee of Risk and Audit activities for monitoring and review purposes.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

The Risk and Audit Committee has responsibility for the following:

Internal Control Framework and Audit

- Review whether management's approach to maintaining an internal the internal control framework is current, sound and effective.
- Consider whether management has taken steps to embed a culture that is committed to probity and ethical behaviour.
- Review whether there are appropriate processes or systems in place to capture and effectively investigate fraud or material litigation should it be required.
- Approve the internal audit coverage and annual work plans, ensuring these plans are based on the Council's risk profile.
- Review the adequacy of management's implementation of internal audit recommendations.
- Review the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

Internal Reporting

- Consider the processes for ensuring the completeness and quality of financial and operational information being provided to Council.
- Seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.

Risk Management

- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Council's significant risks.
- Review the risk appetite established by management, ensuring the risk appetite aligns with Council's strategy, plans and commitments to the public.
- Consider whether appropriate action is being taken by management to mitigate Council's significant risks.
- Ensure that management is kept apprised of the Council's governance body's views on uncontrolled risk.

External Reporting and Accountability

- Consider the appropriateness of the Council's existing accounting policies and principles and any proposed changes.
- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (i.e. letters of representation), and recommend signing of the financial statements by the Chief Executive/Mayor and adoption by Council.
- Confirm that processes are in place to ensure that financial information included in the entity's annual report is consistent with the signed financial statements.
- Satisfy itself that the Statement of Service Performance is supported by appropriate management signoff on the statement and on the adequacy of the systems of internal management and control.
- Receive and consider the Summary Financial Statements for consistency with the Annual Report.
- Confirm the terms of the appointment and engagement, including the nature and scope of the audit, timetable and fees, with the external auditor
- Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised within.

Compliance with Legislation, Standards and Best Practice Guidelines

- Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), Council's own standards, and Best Practice Guidelines.
- Receive the six monthly legal compliance report from management and review any proposed actions to address any non-compliance matters.

Long Term Plan

- Confirm the terms of appointment and engagement, including the nature and scope of the audit, timetable, and fees with the External Auditor.
- Receive and consider the contents of the LTP and the Auditors report pursuant to section 94 of the LGA 2002.

Risk Management Framework and Risk Registers

With the adoption of the Framework by Council, work commenced on the development of the Governance Level Risk Register where the governance level risks of the overall Council are considered and reported to the Risk and Audit Committee.

The Governance Risk Register and Reporting was adopted as part of the 28 March Risk and Audit Committee meeting and the first reporting of the risk activities is included as part of this Committee Meeting.

Work has commenced on the Group Operational Risk Registers and the Corporate Support and Service/CE Group Risk Register has been completed. The remaining Group Risk Registers are due for completion by 31 October 2019.

Audit Action List Update

The Audit Action List has been updated and is attached.

Civic Financial Services – Sale of Civic Assurance House

In September 2017, Civic Financial Services board had decided to sell Civic Assurance House following seismic strengthening work. This work was completed and in May 2019 the building was taken to market and has now been sold. The board has resolved to distribute the net result of \$9,418,480 as a special dividend. Central Hawke's Bay District Council will receive \$23,928.40 following the deduction of imputation credits in August 2019. This income will be used to offset the Riskpool Call due on 1 July 2019.

Insurance Programme

As part of the Risk and Audit Committee work programme, a review of the insurance programme was planned to be conducted in the first 6 months of 2019. Following the changes to the committee meetings and the report being provided by AON as part of the insurance valuations and programs, this was delayed.

The placement for the "Above Ground" insurance with JLT was completed in June 2019.

Following the placement of the "Underground" insurance last year, the underwriters have indicated that in the hardening insurance market they are reviewing their existing portfolio and are requiring more detail in the data provided, to understand the risk.

An initiative by Manawatu Wanganui LASS, which will include HBLASS Councils, is developing a consistent approach across our councils in determining asset valuations for our insurance purposes and then benchmarking each Council against the approach. The review and benchmarking was undertaken by AON and the results are included as part of this report. (Note – pages with other Council individual findings and rate information has been removed.)

It has been agreed by the Councils to complete the renewal in November 2019 and review the quality of the data supplied by the Councils. Following this the long term solution will be considered.

The information for the November 2019 renewal is currently being collated and will be submitted to AON mid August.

FINANCIAL AND RESOURCING IMPLICATIONS

Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

Audit Action List As At 15 August 2019

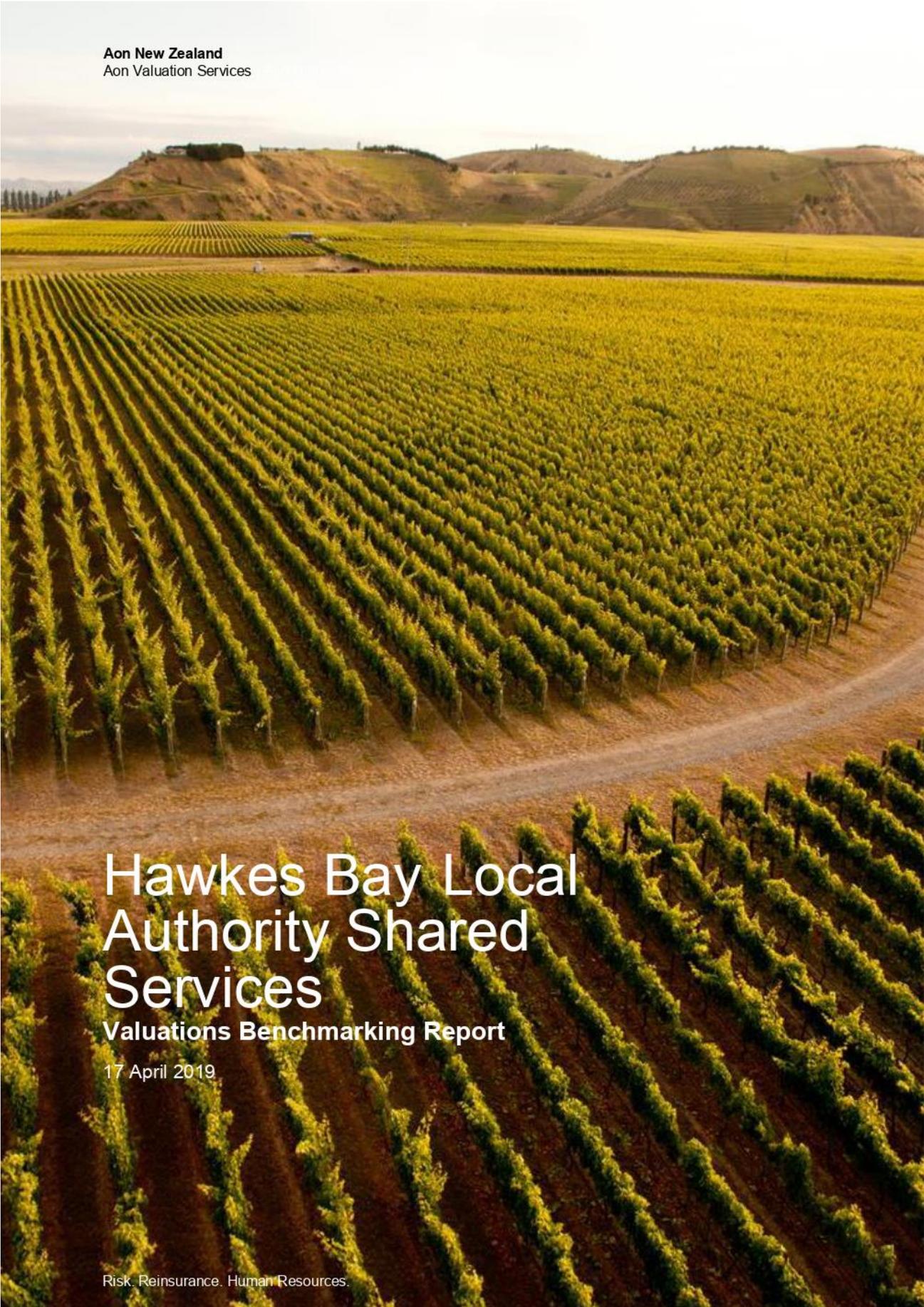
Action	Who is Responsible	Action to be completed by	Progress	Completed pending Audit signoff
Crowe Howarth Internal Audit – Contract Management				
Overall				
Contract Management Policy to be developed	Executive Leadership Team	By 31 July 2018	This Procurement and Contract Management Policy has been adopted by Council.	✓
Risk Reporting of contracts as part of the Risk Framework	Executive Leadership Team	By 31 December 2018	The Corporate Level Risk Register are being developed with the Risk and Audit Committee. Following the completion of the Corporate Risk Registers, the Group Risk Registers will developed and the relevant contracts included on the Risk Registers within the Groups.	In Progress
Contract Management Plans in place for each contract	Executive Leadership Team for Contracts within their delegation	By 30 September 2018	Contract Management Plans will be developed following the completion of the Procurement and Contract Management Manual. A review of the contracts in place and contract management plans will be completed by 31 December 2019.	In Progress
Performance measurement and reporting for contracts	Executive Leadership Team	By 30 September 2018	Reporting procedures currently covered with insufficient detail in specific contracts. These to be pulled out into specific procedures covered in the 'to be created' contract management plans.	In Progress
Contract Management Database – current spreadsheet updated with all contracts	Executive Leadership Team	By 30 June 2018	All active contracts have been entered into the spreadsheet. A review process is being established to ensure all information is correct. A number of historical contracts are being entered onto the spreadsheet for record management.	✓
Electronic Contract Management Database established	Group Manager – Corporate Support and Services	By 30 September 2018	The new EDRMS system, the Hive, has been developed with a Contract Management register and the setup finalised. Any new contracts are being recorded within the Contract Management Register within the Hive.	✓
Management of Records for Contracts	Executive Leadership Team	By 30 December 2018	This will be completed as part of the implementation of the EDRMS and the Contract Management Manual being developed.	✓
Requests For Service (RFS) review	Executive Leadership Team	By 30 July 2018	The RFS system has been reviewed and updated based on the LTP requirements. The outstanding RFS have reviewed and closed as appropriate. Reporting to the Executive Leadership team is being established.	✓
Section 17A Contract evaluations	Executive Leadership Team	By 30 August 2018	A program for Section 17A reviews is being coordinated with HBLASS Council. This will form a separate work program and will be reported to Council separately. For Contracts that fall below the requirements for a Section 17A review the Contract Evaluation will be conducted at the end of a contract based on the Contract Management Manual being established	✓
Contract 479 Reseals				
Variations Approval in line with delegations	Group Manager - Community Infrastructure and Development	By 31 July 2018	The Delegations registered has been update and approved by Council. This has been communicated to the Land Transport team with appropriate training.	✓

Contract 505 Road Maintenance				
Governance of the Contract with recommendations from previous meeting to be implemented.	Group Manager - Community Infrastructure and Development	By 30 September 2018	RM contract now managed more formally through an agreed plan/approach.	✓
Procedures for review of planned work programme	Group Manager - Community Infrastructure and Development	By 31 July 2018	Regular meetings are in place to agree the following months programme between the contractor and the engineers' representative.	✓
Outstanding Works monitoring	Group Manager - Community Infrastructure and Development	By 30 August 2018	Open/ongoing works are managed through the newly implemented Council RFS system that is replicated at Downer's. Resource has been provided by Downer's to support improved monitoring.	✓
Monitoring Compliance as per the Contract	Group Manager - Community Infrastructure and Development	By 30 September 2018	Systems and procedures have been developed as per recommendation. These are referenced in contract management plans.	✓
Service Level Monitoring and Reporting	Group Manager - Community Infrastructure and Development	By 30 November 2018	RFS process has been reviewed across the council to ensure alignment between Council and Contractor Systems. RFS from the Council's system is being transferred to the contractor's system for action.	✓
RAMM access reviewed	Group Manager - Community Infrastructure and Development	By 30 June 2018	Permissions have been updated as required and the assignment of overall responsibility is being reviewed.	✓
Asset Information captured throughout the life of the Contract	Group Manager - Community Infrastructure and Development	By 30 September 2018	More information is being captured during routine contract works as a result of improved contract management required by the new contract mgmt. agreement and approach. The use of digital data capture devices are supporting this in the field.	✓
EY – External Audit 30 June 2018				
Some assets recorded in RAMM have limited or no condition information associated with the RAMM entry.	Group Manager - Community Infrastructure and Development	By 30 June 2019	Our Professional Services Provider (Stantec) have developed data parsing scripts and algorithms to identify gaps and anomalies with RAMM data. The software provides a gap analysis of our RAMM data compared with pre-set expectations for data completeness and validity. An initial review of the RAMM data using Stantec's software has been programmed before the end of the calendar year and this will be completed at least annually moving forward.	In Progress
We identified a Rabobank New Zealand \$600k bond with a long term S&P credit rating of 'A'.	Group Manager – Corporate Support and Services	By 30 June 2019	The Rabobank bond had a maturity date of 4 September 2018 so had been considered short term and therefore fell within the credit rating requirements of the policy. This bond has since matured. The policy is due for renewal as part of the Rates Review and External Funding and therefore it will be updated to reflect Council's current risk appetite at this time.	✓
A number of policies are past their date for revision.	Group Manager – Corporate Support and Services	By 30 June 2019	A timetable for the review of policies had been developed and a number of the policies have been reviewed during this triennium. The schedule was put on hold during the LTP development and the review of the Bylaws. The schedule will be reviewed and the policies that have not been reviewed prior to or during the LTP cycle will be timetabled for review.	✓

The LGFA borrowings are not valued in line with Council's accounting policy and are valued on an inconsistent basis to Council's other borrowings.	Group Manager – Corporate Support and Services	By 30 June 2019	The accounting policies have been updated to be at amortised costs as fair market value is not available for LGFA loans.	✓
All expenses should be approved by a more senior member than the staff member incurring the expenses. In the case of the Chief Executive, these should be approved by a Council member.	Group Manager – Corporate Support and Services	By 30 June 2019	As of October 2018, the CE credit card will be used for CE expenses only and will be approved by the Mayor as per the delegations.	✓
A formal assessment is recommended of the estimated residual life for property assets be included within the scope of the next valuation in 2019.	Group Manager – Corporate Support and Services	As part of the June 2019 revaluation	A formal assessment of the estimated residual life for property assets was included within the scope of the valuation this year.	✓
A formal review be completed for land held by the council to ensure all land titles are available and the title area reflects the Council's records and that used by QV.	Group Manager – Corporate Support and Services	As part of the June 2019 revaluation	As part of the valuation process all land areas have been compared with Land Information New Zealand for any difference. No material differences found.	✓
Crowe Howarth – Sensitive Expenditure October 2018				
The Protected Disclosure procedure should include a statement of commitment to effective reporting of corrupt and illegal practices, and all behaviour that is contrary to the Code of Conduct, by people of all levels within the Council.	Group Manager – Corporate Support and Services	28 February 2019	The Protected Disclosure and Code of Conduct procedures will be updated to include the guidance from the standards.	✓
The Office of the Auditor General's (OAG) Controlling Sensitive Expenditure guideline for travel and accommodation includes guidance that is not currently reflected in the Council's policy and procedures	Group Manager – Corporate Support and Services and People and Capability Manager	31 January 2019	Changes to the Sensitive Expenditure procedure and Attendance at Seminars and Conferences Procedure have been drafted to include the recommended wording of the OAG.	✓
The Office of the Auditor General's (OAG) Controlling Sensitive Expenditure guideline for hospitality and entertainment includes guidance that is not currently reflected in the Council's policy and procedures	Group Manager – Corporate Support and Services and People and Capability Manager	31 January 2019	Changes to the Sensitive Expenditure procedure and Attendance at Seminars and Conferences Procedure have been drafted to include the recommended wording of the OAG.	✓
The Credit Card Operation procedure should be updated to reflect the additional credit card and relevant controls (authorisation of expenditure, supporting documentation etc.).	Group Manager – Corporate Support and Services	31 January 2019	The Credit Card Operation procedure is being updated to reflect the additional credit card and relevant controls required based on the Guidance of the OAG.	✓
The Sensitive Expenditure policy does not include guidance on clothing and grooming.	People and Capability Manager	31 January 2019	Changes to the appropriate Procedure will be completed to include the recommended wording of the OAG.	✓
Exception reports should be reviewed to identify private use of Council fuel cards	Group Manager – Corporate Support and Services	31 January 2019	Changes have been made to the fuel cards requiring odometer readings and exception reporting is being accessed as part of the reporting from the fuel provider.	✓
Guidance should be included in the Sensitive Expenditure Policy on the level of expenditure on farewell functions and gifts that is considered acceptable.	Group Manager – Corporate Support and Services and People and Capability Manager	31 January 2019	Guidance on the level of expenditure on farewell functions and gifts previously provided to the organisation has been included as part of the Rewards and Recognition policy	✓

The entertainment and hospitality section of the Sensitive Expenditure should be updated to require pre-approval within existing delegations of authority, consistent with the "one-up" principle, with escalation to general managers for amounts over set limits	Group Manager – Corporate Support and Services and People and Capability Manager	31 January 2019	Changes to the Sensitive Expenditure procedure and Attendance at Seminars and Conferences Procedure have been drafted to include the recommended wording of the OAG and the Procurement and Contract Management Policy.	✓
The disposal of surplus assets to staff should be documented. To evidence compliance with the sale of surplus assets policy. For example, maintaining a register of asset disposals	Group Manager – Corporate Support and Services	31 January 2019	The disposal of surplus assets to staff (if any) will be documented to evidence compliance with the sale of surplus assets policy.	✓
Staff should be reminded of the expectations for reimbursement claims. Requests for reimbursement that do not comply with policy and procedures should not be paid.	Group Manager – Corporate Support and Services	31 January 2019	Staff have been reminded of the expectations for reimbursement claims. Requests for reimbursement that do not comply with policy and procedures should not be paid.	✓

Aon New Zealand
Aon Valuation Services



Hawkes Bay Local Authority Shared Services

Valuations Benchmarking Report

17 April 2019

Risk. Reinsurance. Human Resources.

Table of Contents

Introduction	3
Overview	4
Findings	5
Recommendations	6
Short Term (to renewal).....	6
Long Term (post renewal)	6
1. Council Solution	6
2. Aon Guided Solution	6
3. Aon Managed Solution	6
Benefits	7
Appendix A – Group Findings	8
Current Valuation Program	9
Asset Selection Process for Insurance of Assets	10
Unit Rate Comparison	11
Appendix B – Individual Findings	12
Appendix C – Unit Rate Sample Framework	25
Appendix D – Standard Methodolgy Per Asset Type	28
Appendix E – Asset Selection Framework	30

Confidentiality Notice

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Introduction

This document is primarily designed to provide Hawkes Bay Regions Chief Executives representing Central Hawkes Bay Regional Council, Hastings District Council, Hawkes Bay Regional Council, Napier City Council and Wairoa District Council details of the findings of a valuations benchmarking exercise conducted by Aon for **HB and MW LASS** Councils. This was undertaken to understand the underlying methodology being applied by councils to value their assets for insurance and risk transfer purposes.

The results of this exercise provide information on:

- Overview
- Findings
- Recommendations
- Benefits to HBLASS of adopting recommendations

Overview

Following MW and HBLASS infrastructure insurance representative, Craig Grant's visit to London for the annual renewal discussions in September Craig asked AON to present the issue of valuations to the MWLASS board. At this meeting on 8th October, Aon conveyed how improving asset valuation data is essential for Councils to firstly, understand their financial exposure and secondly for insurers to price risk correctly (any uncertainty is filled by premium) and finally to ensure claims are settled more promptly. In the event of a loss any underestimation of valuations can lead to an under recovery.

Ensuring that councils approach asset insurance valuations with the same methodology ensures consistency and fairness with both premium allocations and claims settlement across the MW and HBLASS group.

The Board supported participation of all MWLASS councils at a valuations workshop on 19th November 2018 which was extended to HBLASS councils. Participants consisted of Asset and Finance Managers to discuss the issues relating to insurance valuations. Aon provided discussion topics, and it was agreed that a Working Group would be formed with representatives from various councils from **both HBLASS and MWLASS**, to determine the way forward. **Note** – some of the HBLASS councils participate on the MWLASS infrastructure insurance programme. A separate report and presentation has been made to the MWLASS Board.

The Working Group members for HB and MWLASS are:

- David Neale (Horizons Regional Council, Chair)
- Toni Goodlass (Napier City Council – HBLASS)
- Craig Goodier (Hawke's Bay Regional Council)
- Clive Manley (Ruapehu District Council)
- Arno Bernadi (Rangitikei District Council)
- Wiehan Labuschagne (Taranaki District Council)
- Tony Maru (Aon)
- Peter Erceg (Aon)
- Deanna Macdonald (Aon)

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Findings

The Working Group determined that each Council would have its valuation process benchmarked by the Aon National Valuation Manager using a standard set of questions. The cost of this was \$2,500 per Council. This benchmark was undertaken in February, with the key findings summarised below:

- There was no consistent approach identified within the group around determining what assets were to be included/excluded from the asset valuation and subsequent insurance programme. It was also unclear if this was a decision being made through the audit and risk committee process (or equivalent).
- \$/m unit rates for three waters pipe assets vary across Councils with no clear explanation as to the factors being considered – see Appendix C.
- All Councils commission an insurance valuation for building assets but none commission an insurance valuation for three water infrastructure assets.
- The current basis of valuing the three waters assets/flood protection assets does not meet best practice as set out in Appendix D. The current process uses values produced during the financial reporting process. As part of the review, we have found that all council members are missing values typical of an insurance valuation, likely to result in underinsurance. More specifically, there has been no consideration to replacement cost inflationary provisions during a hypothetical rebuild period, and the potential costs associated with removal of debris has not been included.
- There is inconsistency in what is currently insured when you compare asset types across asset classes.

Recommendations

Short Term (to renewal)

Considering the finding and the timeframe to this year's insurance renewal (1st November) the Working Group recommends the following actions to be completed ahead of the renewal data gathering exercise in June:

- Provide each council with the outcome of its benchmarking exercise.
- An adjustment to be determined by the Working Group is applied to all three waters values to allow for inflation during a rebuild and removal of debris which will align with best practice.
- Working Group to agree to a standard methodology which each council can use to plan for its next valuation cycle. This will include how assets are selected for insurance, who approves, schedule reviews and a standard basis of valuation.

It is not anticipated that there will be any additional costs to the councils to proceed with these. Aon can provide base cost movements and finding to each council. If it is preferred that Aon assist with modelling an adjustment per council allow **\$5,000 plus GST**.

Long Term (post renewal)

In addition to the above short-term recommendations The Working Group recommends HBLASS implement one of the following options with the preferred option being **Aon Guided Solution**:

1. Council Solution

- Individual Councils review their individual findings and determine their next steps.

2. Aon Guided Solution

- Aon to work with HBLASS members to achieve a consistent valuation framework across the group which is then implemented for future valuations.

The guided solution includes:

- **Valuation guideline** outlining best practice, methodology, linkages to financial reporting
- **Insurance strategy framework**
- **Asset selection model**
- **Pipe unit rate model**

Pricing to be confirmed depending on level of required per council.

3. Aon Managed Solution

- Aon to work with each HBLASS member individually to implement a framework that provides best practice for HBLASS and ensures each council has a resilient valuation process.

The managed solution includes:

- The above guide solution (Valuation guideline, Insurance strategy framework, Asset selection model, Pipe unit rate model) plus
- **Implementation plan** for the guided solution with an option for Aon consultants to facilitate
- **Valuation of all assets to save time and effort**, this can be quoted per council if required.

Pricing to be confirmed depending on level of required per council.

Benefits

The benefit of improving the current valuation framework include:

To HB LASS	To Insurers
Consistency of valuations across both MW and HBLASS will lead insurers to consider that MW and HBLASS understands their risk thereby having a better chance of securing insurance coverage.	Confidence in the data being provided by HBLASS resulting in more accurate pricing when compared with risks that have poor data.
If values are inaccurate then loss modelling will be poor with an unreliable outcome	Less time and costs spent on determining the basis of claim value after the claim has happened
More certain loss limits and therefore the right amount of insurance is purchased	Can accurately model their risks and determine what capacity they can provide
Potential cost savings through removal of duplication	Understand how much reinsurance capacity they may require
Ability to benchmark unit rates across HBLASS	

Appendix A – Group Findings

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Current Valuation Program

FV = Financial Reporting Valuation, Ins = Insurance Valuation

Currently the basis of valuing three waters/flood protection assets for insurance purposes does not meet the expectation of insurers and best practice. More specifically none of the current valuations allow for future inflation and or removal of debris. This is not to say council do not insure three waters/flood protection assets, more that the current valuation process can improved.

Council	FV Buildings	Ins Buildings	FV Parks	Ins Parks	FV 3 Waters or Flood Protection	Ins 3 Waters or Flood Protection	FV Rooding	Ins Rooding	FV Content	Ins Content	FV Artwork	Ins Artwork
Central Hawke's Bay District	Yes	Yes	No	No	Yes	Partly	Yes	No	No	Yes	No	No
Hastings District	Yes	Yes	Yes	No	Yes	No	Yes	No	No	No	Yes	No
Hawke's Bay Regional	Yes	Yes	No	No	Yes	No	No	No		No	No	No
Napier City Council	Yes	Yes	Yes	No	Yes	No	Yes	No	No	Yes	No	No
Wairoa District	Yes	Yes	No	No	Yes	No	Yes	No	No	No	No	No
Horizons Regional	Yes	Yes	Yes	Yes	Yes	No	Unknown	No	Yes	No	No	No
Horowhenua District	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	No
Manawatu District	Yes	Yes	No	No	Yes	No	Yes	No	No	No	No	No
Rangitikei District	Yes	Yes	Yes	No	Yes	No	Yes	No	No	No	No	No
Ruapehu District	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	Yes	No
Tararua District	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	No
Whanganui District	Yes	Yes	No	No	Yes	No	Unknown	No	No	No	Yes	Yes

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Findings

- All Councils complete financial reporting valuations for building and three waters/flood protection assets.
- The current process uses values produced during a financial reporting valuation which is then used for insurance purposes. In reviewing this process, we have found that all councils are missing values typical of an insurance valuation, resulting in under insurance. More specifically there has been no consideration to a replacement cost inflationary provisions during a hypothetical rebuild and potential costs associated with removal of debris.

Recommendation

- **Program an insurance valuation for three waters/flood protection assets into financial reporting scope of works. If combined with the current process this will reduce costs.**

Asset Selection Process for Insurance of Assets

Council	Process for asset selection	Insurance Buildings	Insurance Content	Insurance Park Assets	Insurance Rooding	Insurance 3 Waters or Flood Protection	Auditable process for reviewing insurance
Central Hawke's Bay District	Partly	Yes	Yes	No	No	Yes	No
Hastings District	No	Yes	Yes	No	No	Yes	No
Hawke's Bay Regional	No	Yes	Yes	No	No	Yes	No
Napier City Council	No	Yes	Yes	No	No	Yes	No
Wairoa District	No	Yes	Yes	Partly	No	Yes	No
Horizons Regional	Partly	Yes	Yes	Yes	No	Yes	Partly
Horowhenua District	No	Yes	Yes	Yes	Part	Yes	No
Manawatu District	Partly	Yes	Yes	No	No	Yes	No
Rangitikei District	No	Yes	Yes	No	No	Yes	No
Ruapehu District	No	Yes	Yes	No	Part	Yes	No
Taranua District	Historical selection	Yes	Yes	Yes	No	Yes	No
Whanganui District	Partly	Yes	Yes	Yes	Part	Yes	Partly

Findings

- Most Councils do not have a process in place to decide what is insured, what is not insured and a process for review.
- Most insure contents, at an agreed value or book value.

- There is inconsistency in what is currently insured when you compare asset types. For example, all pipes are insured, but not bridges, what happens if a bridge is damaged and you cannot reinstate the pipe?
- Inconsistency is likely due to different basis and methods of valuation.
- There is potential for assets to be omitted without a firm understanding why.

Recommendation

A consistent asset selection framework is agreed and adopted by all member Councils. Refer to appendix E for a sample approach.

Appendix B – Individual Findings

Individual findings for each council is attached to this Appendix with the following points to be noted:

- Peter Erceg, National Valuation Manager at AON visited all councils and met with asset and finance managers. The purpose was to understand what is being insured, who decide this in council, the methodology for each asset type and potential areas of improvement – the initial focus was on 3 waters and flood protection assets. It was not an audit.
- Aon has produced a consistent reporting template and has also included specific comments for each council
- This has highlighted that there are inconsistencies between councils and a need to improve the overall process



Aon Attendee: Peter Erceg

Council Lead: Bronda Smith,
Peter Eastwood

General Comment

Central Hawke's Bay District Council is in the process of drafting an insurance strategy paper for the risk and audit committee approval. At a high level their current approach is consistent with most of other councils, whereby the current valuation program for three waters and flood protection assets is focused on financial reporting not insurance. The process of pipe replacement cost assessment for financial reporting purposes seems robust and includes rate reviews by Opus.

Current Valuation Program

Valuation Type	Three Waters	Buildings	Artwork	Content	Park Assets	Roading
Financial Reporting	Yes	Yes	No	No	No	Yes
Insurance	Partly	Yes	No	Yes	No	No

Asset Selection Process for Insurance of Assets

Is there a process for asset selection	Partly
Who approves non-insurance?	Current asset managers
Asset Selection Comment	Currently establishing a process for risk and audit to review insurance strategy.
Is there an auditable process for reviewing what is insured	No

Current Insurance Valuation Methodology

Asset	Three Waters	Buildings	Artwork	Content	Park Assets	Roading
Methodology	Replacement Cost	Replacement Cost + Inflation + Demolition	Not required	Replacement Cost + Inflation + Demolition	Not required	Not required
Provider	Internal	External		External	N/A	N/A

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Unit Rate Comparison

Asset Type	Diameter	Council Rate \$/m	Mean	Min	Max
Waste Water	200	391.91	381	268	627
Storm Water	300	405	405	254	541
Water Supply	150	247	251	209	294

Potential for Underinsurance	Yes
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Appendix D – Valuation Best Practice Methodology Per Asset Type

The below gives our view of best practice for a methodology to be used per asset class for insurance and financial reporting purposes.

Asset Class	Asset Type	Asset Sub Type	Insurance Value Approach	Financial Reporting Approach	Example of Asset
Operational	Building	Non-Specialised	Replacement Cost + Inflation + Removal of Debris	Market Approach	Office buildings, residential housing
	Building	Specialised	Replacement Cost + Inflation + Demolition	Cost Approach	Halls, pools, libraries
Parks	Assets	Street Furniture	Replacement Cost + Inflation + Demolition	Cost Approach	Playgrounds, bridges, bollards, seating, wharves, boat rates, bins
Infrastructure	Three Waters	Nodes and Pipes	Replacement Cost + Inflation + Demolition	Cost Approach	Pipes, valves, manholes
Plant and Machinery	Income producing		Replacement Cost + Inflation + Demolition	Market Approach	
	Specialised		Replacement Cost + Inflation + Demolition	Cost Approach	
Heritage	No Active Market		Replacement Cost + Inflation + Demolition	Cost Approach	Kerikeri Stone Store, Timeball
	Active Market		Replacement Cost + Inflation + Demolition	Market Approach	Residential dwellings, commercial buildings that can generate rental income
Artwork	Active Market		Replacement Cost + Inflation + Demolition or indemnity value	Market Approach	Paintings, sculptures, books

Appendix E – Asset Selection Framework

It is recommended that each Council implement a review of what is currently being insured, what is not being insured, why, who approves and a review point set.

This process can be down to various levels of detail as below:

- Asset Type

Asset Type	To Insure Yes / No	If Yes, all or above limit	If limit what limit \$	Approved By	Review Date
Building					
Content					
Park Assets					
Roading					
Stormwater					
Wastewater					
Water Supply					

- Category

Asset Type	Category	To Insure Yes / No	If Yes, all or above limit	If limit what limit \$
Park Assets	BHQ			
Park Assets	Benches/Seats/Tables			
Park Assets	Bikestands			
Park Assets	Bins			
Park Assets	Boardwalk			
Park Assets	Bollards			
Park Assets	Bridges			

- Sub Category and component

Asset Type	Category	Sub Cat	Component	Insurable Asset Yes or No	If insurable what policy	Council Elects to Insure Yes or No	If Yes, all
Wastewater	Residential	Greedy/Meris	Pipes				
Wastewater	Residential	Greedy/Meris	Manholes				
Wastewater	Residential	Greedy/Meris	Concrete access				
Wastewater	Residential	Greedy/Meris	Flush Tanks				
Wastewater	Residential	Services/Lines	Pipes				
Wastewater	Residential	Services/Lines	Manholes				
Wastewater	Residential	Strong/Lean	Pipes				
Wastewater	Residential	Strong/Lean	Manholes				

This asset coding structure can be applied to the Council's asset classes or manually against each asset. It is also recommended that each asset or asset type then be reviewed for:

- Is the asset critical, Yes / No
- If the asset is not critical would it rebuilt in the event of a loss, Yes / No
- Is the asset function in its current state, Yes / No
- Does the asset provide the required level of service, Yes / No

The level of detail for the above would depend on the asset class, as an example building assets could be assess a per asset, whereas for three waters or park assets might be per category level or location. Each Council needs to decide to what level they want to review.



About Aon

About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 69,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions. For further information on our capabilities and to learn how we empower results for clients, please visit: <http://aon.mediaroom.com>.

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5.2 DRINKING WATER COMPLIANCE REPORT

File Number: COU1-1408

Author: Josh Lloyd, Group Manager - Community Infrastructure and Development

Authoriser: Monique Davidson, Chief Executive

Attachments: Nil

PURPOSE

The purpose of this report is to provide an update to the Risk and Audit Committee (the Committee) on Council’s adherence to the New Zealand Drinking Water Standards and to highlight key completed work and work in progress.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

Drinking Water represents one of Councils greatest risks and is prioritised accordingly in the organisation through the focus of dedicated Council and Contracting staff and through Councils investment in people, process and infrastructure.

Below is the current update to the Risk and Audit Committee as part of the overall Governance Risk Register Reporting.

Risk No	Risk Description	Inherent Risk	Current Risk	Risk Treatments (Actions)	Progress Reporting
1	Fresh Water Failure of water treatment, pumping and network infrastructure or lack of network capacity means the community does not receive an adequate supply of fresh potable water	Extreme	Moderate amber	Full Review and Audit Programme for all water safety plans Procurement of expert resource to increase capacity and capability for delivery and monitoring of Water Safety Plans Complete review of SCADA system	Programme of review and audit for all Water Safety Plans for next 12 months Successfully passed a Partial Implementation Audit for Waipawa and Otane Ongoing improvement plans for each Water Safety Plan that is being managed and monitored and reported to th DHB SCADA review completed and list of actions developed with timelines and reporting (this fed into WSPs)

The report is structured to provide an update on completed and in-progress actions and to provide an overall snapshot of Councils approach to managing the identified risks in more detail. Future reports will become more tabular providing an overview of the Council compliance work programme taken directly from Council’s own internal management systems.

Work Completed in the Period

Significant progress has been during the reporting period which for this report is considered to be the 2019 calendar year until the date of this report. For future reports it will be the period between the current and most recent prior report.

Progress in the period has been driven largely by external drivers, most notably the District Health Board appointed Drinking Water Assessors audit regime as well as the end of the compliance reporting year (30 June).

During the period the Waipawa and Waipukurau Water Safety Plans were audited by the Drinking Water Assessors. The assessors made note of the significant advancements that Council has made in it's on the ground management of the plants through the appointment of Veolia, and also made mention of the improvement in rigor and control of Council processes and documentation. The audits made several recommendations that are all stored and monitored within the Water Safety Plans improvement registers. This makes the plans become living documents. The audits required a full re-write of both Water Safety Plans as well as the completion of over 50 improvement tasks prior to the audits taking place.

Publishing and communicating key documents has been a priority with critical processes displayed on walls in the treatment plants at the recommendation of the Drinking Water Assessors. The image below shows a 'Critical Control Point' displayed in one of the treatment plants.

OPERATOR ➔	APPLYS TO:	UV dose (RED) mJ/cm2– Tikokino Road WTP			VEOLIA PLANT OPERATOR ←
	VEOLIA PLANT OPERATOR	OPERATIONAL RANGE	>41	OUT SIDE RANGE? OPERATOR To Follow Escalation Procedure In the 1 st instance: 1) 0274660073 Wayne 2) 0272565109 Kim	
		CHBDC TARGETS	40 - 43	CRITICAL LIMITS	
				>43	Notify CHBDC Investigate and action
				<40	Notify CHBDC Investigate and action
		DWS COMPLIANCE	Validated for <40mJ/cm2	Follow Transgression Procedure	

Beyond the Water Safety Plan targeted improvements, in May and June Officers and Veolia staff completed a holistic review of Council’s SCADA and telemetry systems. The intent of the review was to ensure that coded logic built into control processes is appropriate and to streamline processes and reporting. The review found several anomalies and resulted in several improvements to systems and reporting that have ensured the accuracy of processes going forward. Drinking Water Assessors were informed throughout this work.

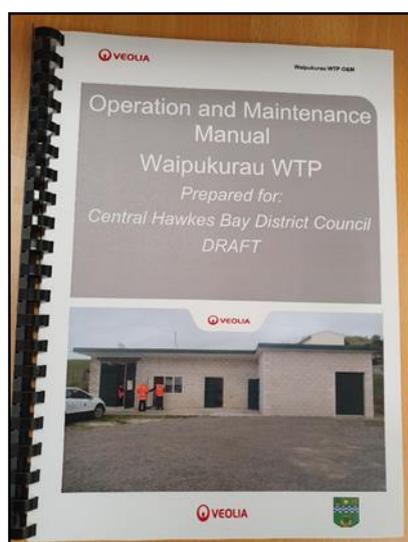
New equipment including a provision for critical spares has been purchased to provide resilience in core systems. Back-up analytical and monitoring equipment have been purchased including chlorine analysers and telemetry hardware. New testing/sampling kits have also been purchased (shown below with new turbidity meters installed).



Year-end reports were prepared in the period and have been provided in draft to the Drinking Water Assessors. Early feedback from the assessors suggests that data anomalies will cost Council compliance for Waipawa and Waipukurau and that Bacterial (but not protozoal) compliance will be achieved for Takapau and Porangahau. A copy of the final report from the Drinking Water Assessors will be made available with the next version of this report.

Work in Progress

To add further control and efficiency to data management and reporting, work has been commissioned to fully automate all compliance reporting. This work is scheduled to be complete in October 2019. Further continuing the advances in control and confidence, Veolia will complete Operational Manuals for all treatment plants in November. A number of improvements remain in progress as tracked within the individual Water Safety Plans with most of these focussed on the development of further documentation, manuals, procedures and protocols. A key part of this work is the creation of a transgression/emergency response manual that sets out Councils approach to dealing with transgressions in the network.



Efficiencies are being sought through a review of network sampling points and frequencies and further training is booked for operators in August and September. An example of one of the newly built dedicated sampling points is shown below.



Officers are working through a process with Drinking Water Assessors to formally register the Kairakau supply that to date is not listed as registered on DHB systems (despite it being operated, maintained and reported on as a registered system for some years).

Officers and Veolia have begun work early on the development of new Water Safety Plans for the new plants at Takapau and Porangahau. Officers initially considered that these could be developed once the plants were commissioned successfully and the intricacies of running each plant better understood by engineers and operators. In July Drinking Water Assessors advised that both plants could not be commissioned until the Water Safety Plans had been created, reviewed and

approved. The work to create the plans is now underway and, with considerable effort, will be completed prior to plant commissioning.

FINANCIAL AND RESOURCING IMPLICATIONS

This report is for information purposes only and has no specific financial or resourcing implications. The financial and resource costs of maintaining drinking water compliance against the compliance regime are significant and increasing.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers plan to further refine this report at the request and endorsement of the Risk and Audit Committee.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

5.3 SAFETY & WELLBEING UPDATE

File Number: COUI-1408
Author: Nicola Bousfield, People and Capability Manager
Authoriser: Monique Davidson, Chief Executive
Attachments: Nil

PURPOSE

The purpose of this report is to provide the Risk & Audit Committee a summary of the 2018/2019 activities in the Safety & Wellbeing space and to provide an overview of the upcoming 2019/2020 plan.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

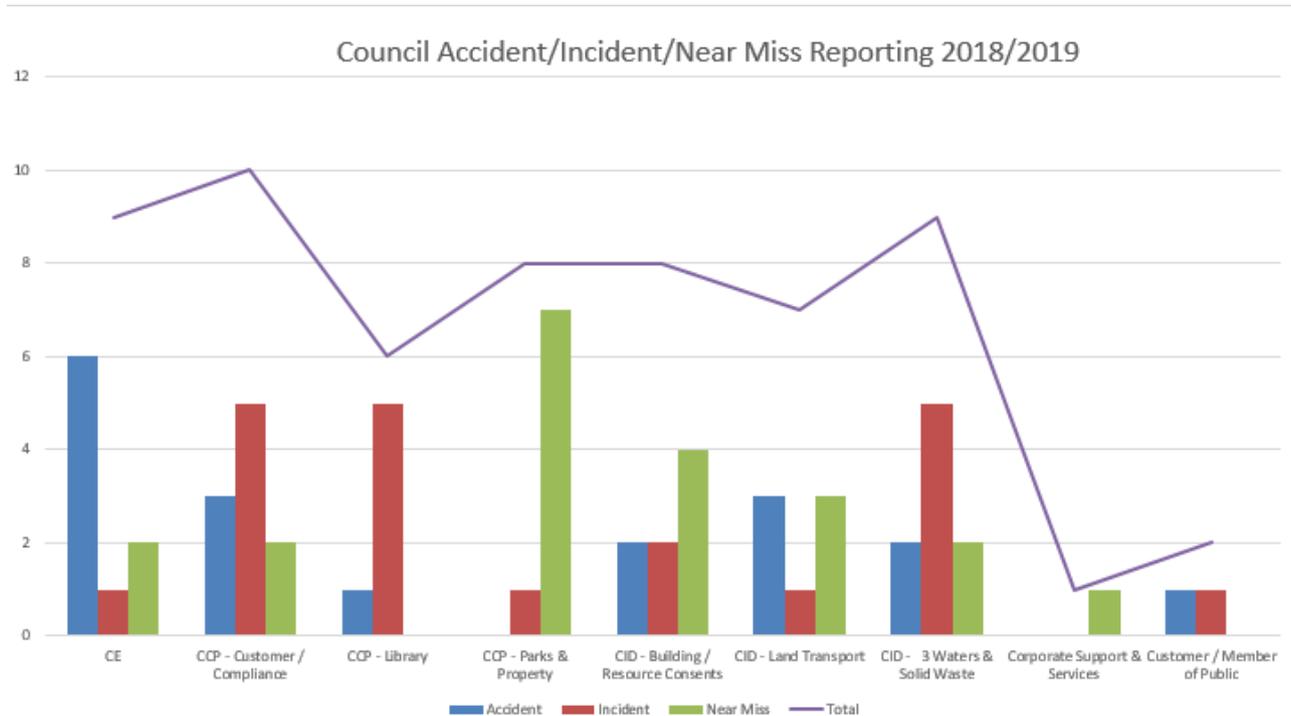
This report is provided for information purposes only and has been assessed as being of some importance.

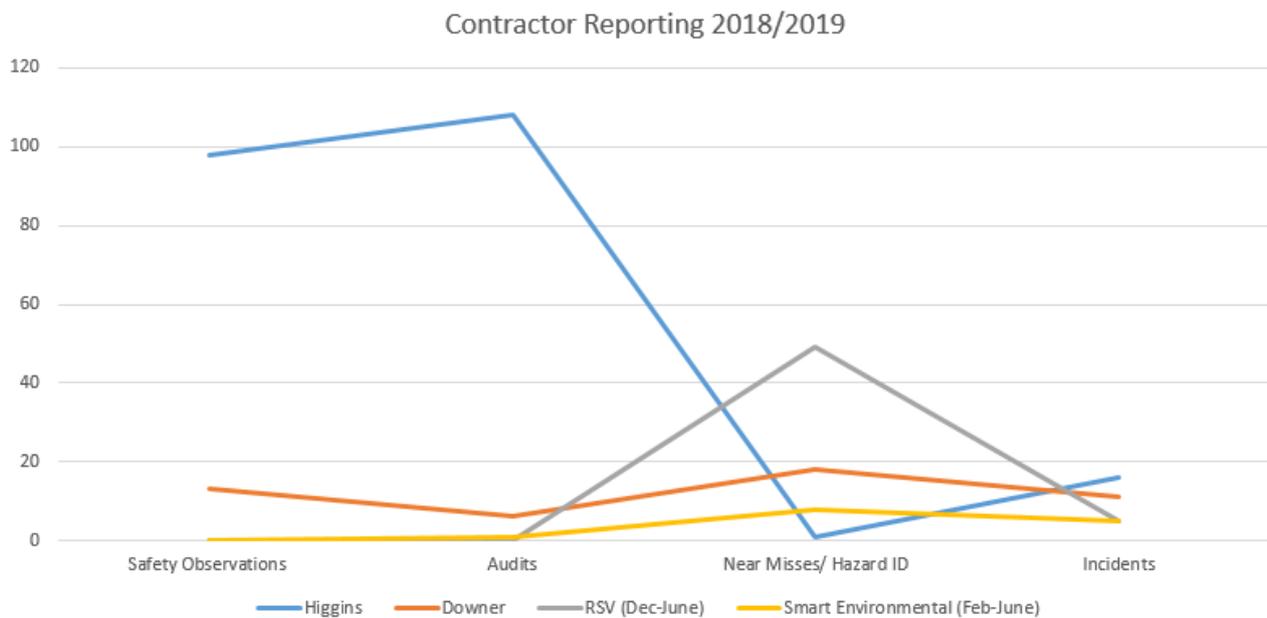
DISCUSSION

HIGHLIGHTS OF SAFETY & WELLBEING 2018/2019

2018/2019 saw significant progress in the Safety & Wellbeing space, and as we look ahead to the new year, we will continue to look for opportunities to make improvements.

Safety & Wellbeing Reporting





Contractor Audits

Last year saw the decentralisation of contractor auditing which had traditionally sat as the sole responsibility of the people & safety officer. Council has made purposeful steps to change the approach to safety and wellbeing, particularly in the contract management space, where employees are now accountable for taking a collaborative approach to the safety and risk management of their contractors and it is the responsibility of all employees, not that of a single individual.

The scope of auditing has been widened to include both contractors undertaking work and audits of work sites such as the transfer stations. To increase the ease of the auditing process, an app based tool i-Auditor was introduced and rolled out for employees to complete audits in the field.

Contractor Safety Pre-Qualification

All current contractors are pre-qualified, with larger contractors subscribed through the Site Safe pre-qualification process and the smaller contractors obtaining the pre-qualification through our internal Council process.

Safety & Wellbeing Committee Refresh

The Safety & Wellbeing Committee has gone through a period of change this year, widening the scope to take a more collaborative approach and include our strategic contracting partners (Recreational Services/Veolia, Smart Environmental, Downer and Higgins) to report from their businesses and give insight and learnings.

Developing the Safety & Wellbeing Committee

We continue to look for ways to develop the Safety & wellbeing Committee members in their roles within the organisation, last year this included the Committee attending the Enhancing Mental Wellbeing Workshop “The Five Ways to Wellbeing At Work” and undertaking Health & Safety Representative Training to introduce foundational training for committee members, to increase their skills and knowledge and to understand their responsibilities as a representative.

Introduction of Community Service Leave

In hearing a common theme from employees suggesting Council could support them to volunteer their time to our community organisations, the Safety & Wellbeing Committee proposed the introduction of Community Service Leave. This leave allows employees to take up to ½ a week per annum to give their time to the community during work hours, whether it be collecting donations for the Pink Ribbon Street Appeal, or volunteering at their child’s sports day.

Introduction of the Sick Leave Bank

The Sick Leave Bank Policy was adopted last year and introduced a support framework for employees in times of extenuating circumstances, where an Employee (or their dependant) is diagnosed with an illness/serious injury that requires extensive treatment, an extended period of sick leave and has insufficient leave to cover that time off. The purpose of this policy is to provide Central Hawke's Bay District Council Employees with a clear framework to donate and apply for additional sick leave from the Sick Leave Bank. Council is committed to supporting our greatest asset – our people, creating an inclusive culture where Employees support each other in #WhanauMatters by donating as much or as little as they can, to support each other in times of need.

Wellbeing Workshops

EAP Services (Council's counselling service and Employee Assistance Program provider) delivered a popular series of Wellbeing Workshops throughout the year. The workshops included topics such as 'Fatigue and Sleep,' 'Emotional Intelligence' which has been linked to better health, productivity, relationships and communication and 'Work-Life Balance' to assist employees in implementing strategies to manage the demands of multiple commitments.

Welcoming our new People & Safety Officer

Keryn Barkle joined Council at the end of April as our new People & Safety Officer. Keryn is proving to quickly become a great asset to the team and brings a wealth of H&S experience.

Pink Shirt Day 2019

Council employees turned the office into a sea of pink to show their support on Pink Shirt Day in 17 May, to Kōrero Mai, Kōrero Atu, Mauri Tū, Mauri Ora – Speak Up, Stand Together, Stop Bullying!

Celebrated annually around the globe, in Aotearoa, Pink Shirt Day aims to create schools, workplaces and communities where all people feel safe, valued and respected.



Together we thrive!

Asbestos Liaison Protocol Hawke's Bay

2019 saw the introduction of the Asbestos Liaison Protocol Hawke's Bay which was developed in collaboration with the five Hawke's Bay councils, WorkSafe and the Hawke's Bay District Health Board.

The purpose of the Protocol is to increase public confidence in asbestos incident management by setting out processes for effective liaison between government agencies in response to asbestos-related enquiries and incidents in the Hawkes Bay area.

LOOKING AHEAD TO 2019/2020

Last year saw progress made in the Safety & Wellbeing space and as we look ahead, we recognise that we still have a lot of improvement work ahead of us. To assist in planning the priorities for the year ahead, we have partnered with IMPAC who are a leading provider of safety and risk management solutions, to complete a Gap Analysis of Council's the health and safety risk management arrangements. This Gap Analysis will be aligned with the recently adopted Risk Framework.

Safety & Wellbeing Gap Analysis

Purpose

To complete a gap analysis of the health and safety risk management arrangements at Council. The IMPAC Gap Analysis is designed to give our organisation a quick, operationally focussed overview of strengths and opportunities for improvement related to managing health and safety risk, and the supporting organisational arrangements.

Scope

This project will focus on the health and safety related legislative duties and good practice opportunities for Council while recognising there are significant overlaps with other strategic partners.

Deliverables

The Gap Analysis will result in an operational report document to determine where Council needs to invest time, energy and resource. It will include concise commentary, scoring and prioritised recommendations for the following key areas:

1. Policy, planning, resourcing and responsibilities
2. Leadership and worker participation
3. Governance
4. Hazard and risk management
5. Information, training and supervision
6. Worker and contractor activity management
7. Incident management
8. Health and wellness
9. Emergency management
10. Audit and review
11. Management of critical risks (includes key standards for up to 26 critical risks)

Benefits

The Gap Analysis provides the following benefits:

- An independent, specialist perspective on whether there are major gaps in our knowledge of, and ability to manage the health and safety risks in our Council
- A high-level health and safety risk profile for our Council
- An expert insight into the suitability and effectiveness of governance and management arrangements, and
- A series of prioritised recommendations setting out how to close any gaps.

FINANCIAL AND RESOURCING IMPLICATIONS

There are no financial or resourcing implications from this report.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;

- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

5.4 GOVERNANCE RISK REPORTING

File Number: COU1-1408

Author: Bronda Smith, Group Manager, Corporate Support and Services

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. Governance Risk Register Update  

PURPOSE

This report is to update the Risk and Audit Committee on the progress of actions included in the Governance Risk Register.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

Background

Central Hawke's Bay District Council (CHBDC) has adopted a Risk Management Framework to guide risk management activities at Council.

The Risk Management Framework (RMF) sets out Council's Risk appetite and outlines the various roles and responsibilities within the organisation. The role of the Risk and Audit Committee is to:-

- Review whether management has in place a current, comprehensive and effective risk management framework for effective identification and management of Council's significant risks.
- Consider whether appropriate action is being taken by Management to mitigate Council's high and extreme risks.
- Provide guidance and governance to support significant and/or high profile elements of the risk management spectrum.
- Advise Council on matters of risk and provide objective advice and recommendations for consideration.
- To receive, on a quarterly basis, a report on the Risk Management Register of CHBDC.
- To determine, on an annual basis or more regularly depending on legislation and market forces, the risk appetite of CHBDC and to promulgate this to Council for Ratification.

CHBDC is in the early stages of a journey to embed risk management practices into the organisation. The Risk Management Framework outlines what is to be expected, in terms of the various roles and responsibilities on the basis of risk management being at a greater level of maturity, as such not every specific requirement in the policy (in particular relating to some specific reporting by some roles such as the risk lead) will be adhered to while the effort of Council and Management is to build the risk management capability within the organisation.

The reporting and the main efforts by management at this stage will focus on the initial significant risks recorded in the risk register.

The schedule of key risks identified by the Committee and Officers is included in Attachment 1. This includes the current status of the risks and commentary on any actions underway to mitigate the risks.

Attachment 2 is an extract from the Risk Framework for Reference.

FINANCIAL AND RESOURCING IMPLICATIONS

Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

Central Hawke's Bay District Council Governance Risk Register

Risk No	Risk Description	Inherent Risk	Current Risk	Risk Treatments (Actions)	Progress Reporting
1	Fresh Water Failure of water treatment, pumping and network infrastructure or lack of network capacity means the community does not receive an adequate supply of fresh potable water	Extreme	Moderate amber	Full Review and Audit Programme for all water safety plans Procurement of expert resource to increase capacity and capability for delivery and monitoring of Water Safety Plans Complete review of SCADA system	Programme of review and audit for all Water Safety Plans for next 12 months Successfully passed a Partial Implementation Audit for Waipawa and Otane Ongoing improvement plans for each Water Safety Plan that is being managed and monitored and reported to th DHB SCADA review completed and list of actions developed with timelines and reporting (this fed into WSPs)
2	Failure of Critical Assets Incorrect maintenance and investment/replacement results in unexpected failure of critical assets and loss of levels of service	Extreme	Moderate amber	Identify Critical Assets within AMP providing a critical service Develop asset condition data & management strategy. Regularly carry out monitoring, condition assessment, planned and corrective maintenance of key assets Independent reviews of all Asset Management Plans Complete review of SCADA system	AMPs exist for all critical assets AMPs programmed for review in line with next LTP cycle Capital and maintenance programmes developed, carried out and reported against. For all critical assets an initial review, proceeding the formal update of all plans in time for the LTP 2021-31, is scheduled for September/October 2019 SCADA review completed and list of actions developed with timelines and reporting
3	Wastewater Treatment System Failure System failing resulting in environmental impact and/or prosecution before a new solution is constructed and operational.	High Red	Moderate amber	Replace or upgrade major failing plants Carry out routine planned and corrective condition assessment and maintenance Complete review of SCADA system	Project to replace 3 major failing plants (Waipukurau, Waipawa, Otane) is progressing well as per agreed timelines with Maintenance and condition assessment/ inspections have been increased at all plants as part of move to new contractor. SCADA review completed and list of actions developed with timelines and reporting
4	Health & Safety - Community Failure to create and maintain safe council facilities and a safe environment for the community leading to death or serious injury.	Extreme	Moderate amber	Creation of top-level framework/structure document to guide subsequent policies, procedures Create clear picture of existing policies and procedures Review and improve policies and procedures Ensure all contractors are pre-qualified for work on the network through Site Wise or the Council pre-qualification process	Programme of work developed in P&C Group business plan for 2018/19. List of existing procedures and their effectiveness in development Some procedures reviewed and improved based on qualitative risk assessment Currently 1 contractor outstanding for pre-qualification (this contractor not working on network at present)

7/08/2019

Central Hawke's Bay District Council Governance Risk Register

Risk No	Risk Description	Inherent Risk	Current Risk	Risk Treatments (Actions)	Progress Reporting
5	Health & Safety - Workers Failure to create and maintain a safe environment for staff leading to death or serious injury.	Extreme	Moderate amber	<p>Creation of top-level framework/structure document to guide subsequent policies, procedures</p> <p>Create clear picture of existing policies and procedures</p> <p>Review and improve policies and procedures</p> <p>Ensure all contractors are pre-qualified for work on the network through Site Wise or the Council pre-qualification process</p> <p>Develop and implement staff engagement mechanism within H&S system</p>	<p>Programme of work developed in P&C Group business plan for 2018/19.</p> <p>List of existing procedures and their effectiveness in development</p> <p>Some procedures reviewed and improved based on qualitative risk assessment</p> <p>currently 1 contractor outstanding for pre-qualification (this contractor not working on network at present)</p> <p>Safety and Wellbeing committee developed and H&S reps/committee members appointed</p>
6	Inadequate Civil Defence Response Failure to respond adequately during a civil defence emergency results in undue harm to members of the community and delays in restoring the district to an operational basis.	Extreme	Moderate amber	<p>Implement corrective actions from audit in 2017</p>	<p>Funding secured for EOC resources, currently being procured for implementation in the 2019 calendar year.</p> <p>Further local training exercises and participation in regional exercise planned in third quarter of 2019 calendar year.</p> <p>72% of corrective actions complete. This is anticipated to be completed by June 2020 based on identification of alternate EOC</p>
7	Not able to retain or secure key staff Shortage of skilled staff impacts on ability to deliver services to the community.	Significant Amber	Moderate green	<p>Complete annual market benchmark</p> <p>Implement and maintain performance and development framework for all staff</p> <p>Include non-rem benefits as key focus for organisation</p> <p>Include employee wellbeing as key focus for organisation</p>	<p>Market remuneration review completed for 2018 and programmed for 2019</p> <p>PDPs developed annually including training specific to role as well as stretch development opportunities</p> <p>Non-rem benefits included in P&C Group business plan</p> <p>Employee benefits developed through 2018/19 including:</p> <ul style="list-style-type: none"> * recognising our people guideline * community service leave policy * sick leave bank policy <p>Employee wellbeing included as focus in P&C Group Business Plan</p> <p>Safety and wellbeing committee given mandate to promote and implement employee wellbeing</p>
8	Business Interruption Business interruption caused by some unexpected event impacting on service delivery.	High Red	Moderate amber	<p>Development of a BCP for CHBDC</p> <p>Digitalisation project underway</p>	<p>On the work programme but has not started yet. This is planned for completion in the first half of 2020</p> <p>Project to digitise property records underway</p>

7/08/2019

Central Hawke's Bay District Council Governance Risk Register

Risk No	Risk Description	Inherent Risk	Current Risk	Risk Treatments (Actions)	Progress Reporting

7/08/2019

Central Hawke's Bay District Council Governance Risk Register

Risk No	Risk Description	Inherent Risk	Current Risk	Risk Treatments (Actions)	Progress Reporting
9	<p>Failure to effectively deliver services and projects Failure to deliver Council strategic objectives, projects or normal business as usual service levels resulting in community dissatisfaction.</p>	Significant Red	Significant Red	<p>Increased reporting on projects as part of Council's financial reporting</p> <p>A three waters programme delivery manager recruited to manage the work programme</p> <p>Development of a Project/Contract Management programme over the first 6 months of the 2019 calendar year</p>	<p>Project reporting happens on a regular basis</p> <p>Key three waters projects have been tendered and programme is underway.</p> <p>Development of programme is completed. 80% of the program is in progress. Remaining in design. Program as a whole is on track and is being reported regularly to Council.</p>
10	<p>Adverse Environmental Change or events Severe weather events and climate change effects impacting community wellbeing and property values</p>	Extreme	Moderate amber	<p>Ensure that AMPs, work programmes and contracts consider High Impact Local Probability (HILP) events for weather.</p> <p>Second water supply source to be added to Waipukurau Supply to increase resilience</p> <p>There is a piece of economic development assessment work underway to assess diversification options</p>	<p>Road maintenance contract management reviewed and improved to ensure a focus on resilience and restoration of service following major weather events. This completed and tested in 2018.</p> <p>Project underway, however this has been delayed based on access to viable sources of water. This is being regularly reported to Council as part of the Big Water Story Key Project Status Reporting</p> <p>The Economic Development assessment is due for adoption at the Community Development Committee on 15 August</p>
11	<p>Financial Strategy Failure Implementation of council's Financial Strategy is not effective in guiding appropriate decision making to meet the financial pressures associated with maintaining the assets in a manner that is affordable to the CHB community.</p>	Extreme	Moderate amber	<p>Continuous Development of the Internal Financial Reporting to enable robust decision making</p> <p>Work with HB region on Matariki Economic Development Project</p> <p>Development of external funding framework</p>	<p>Treasury reporting is being developed and will be reported to the Council as part of the Quarterly Financial Reporting. This is expected to be reported to Council as part of the first financial reporting following the election</p> <p>This body of work is underway, with Council taking an active role in the Strategy's refresh. This will be ongoing.</p> <p>Project underway. Initial presentation to Council workshop. Initiatives such as PGF applications being explored</p>

7/08/2019

Central Hawke's Bay District Council Governance Risk Register

Risk No	Risk Description	Inherent Risk	Current Risk	Risk Treatments (Actions)	Progress Reporting

7/08/2019

5.5 INTERNAL AUDIT PROGRAM

File Number: COU1-1408

Author: Bronda Smith, Group Manager, Corporate Support and Services

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. 3 Year Internal Audit Program [↓](#) 

PURPOSE

The purpose of this report is to update the Committee on the agreed 3 Year Internal Audit Program following the completion of the previous plan

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

The first part of delivering the Internal Audit services is the development of an Internal Audit Plan.

The Strategic Internal Audit Plan would include areas of high residual risk that may expose the Council's reputation and image, operational, and/or financial perspective. In addition, the Internal Audit Plan would also focus on risks that are high regardless of controls already in place, and on risks that were high before considering the control environment.

The final plan may not be solely linked to risk but may need to recognise current 'pot-boiling' issues. Both the rolling Strategic Audit Plan and the accompanying Annual Internal Audit Program would be presented to the Risk & Audit Committee for approval

The Risk and Audit Committee met on 1 August to discuss the recommendation from Crowe and to give feedback on the high priority areas for the following 3 years of the program.

Attached is the Internal Audit Plan based on the feedback from the workshop.

The first Internal Audit will be the review of Procurement and Purchasing. The objective of this audit will be to assess the current procurement procedures and strategies in place at Central Hawke's Bay District Council and to identify potential improvements to the efficiency and effectiveness of procurement activities.

The second Internal Audit will be Data Analytics. The audit will perform a data analysis review that involves analysis of master file data and transaction data for payroll and vendor payments to look for any anomalies and for the detection of possible fraud.

The third Internal Audit will be Business Continuity Planning. The objective of this review will be to measure the maturity of business continuity planning at the Central Hawke's Bay District Council in ensuring that appropriate recovery strategies are in place to mitigate risks to the continuity of core Council services and infrastructure. Although this is considered a priority by the Committee, it has been agreed that an audit would be more effective following the establishment and testing of the plan and this has been agreed by Crowe. The establishment of the Business Continuity Plan is part of the work programme for the Corporate Support and Services Group in 2019/20.

FINANCIAL AND RESOURCING IMPLICATIONS

Any financial and resourcing implications resulting from risk mitigation measures that are outside staff delegations will be reported and require approval from the Council before being incurred. No such implications have been identified to date.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Following this report to the Committee, the planning for the 2019/20 audit will begin.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.



Central Hawke's Bay District Council

Proposed Internal Audit Plan 2019-20

8 August 2019

Draft for Discussion

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1 Audit Plans for the period July 2019 to June 2022

No.	Audit Project/ Activity	Start Date	Planned hours	Audit objective
2019/20 Financial Year				
1	Procurement and Purchasing Audit	TBC	60	The objective of this audit will be to assess the current procurement procedures and strategies in place at Central Hawke's Bay District Council and to identify potential improvements to the efficiency and effectiveness of procurement activities.
2	Administration and follow-up	Ongoing	15	Ongoing communication with the CHBDC Internal Audit Sponsor, reporting for Risk & Audit Committee meetings, planning and follow-up activities as required.
	TOTAL		75	
2020/21 Financial Year				
3	Data Analytics	TBC	60	We will perform a data analysis review that involves analysis of master file data and transaction data for payroll and vendor payments. The testing outcomes are achieved by the extraction, validation and analysis of the relevant data files from the payroll and finance application systems. This data is then imported into data analysis software where the specified tests are performed upon the logical structure and reasonableness of the data, to identify any anomalies.
4	Administration and follow-up	Ongoing	15	Ongoing communication with the CHBDC Internal Audit Sponsor, reporting for Risk & Audit Committee meetings, planning and follow-up activities as required.
	TOTAL		75	
2021/22 Financial Year				
5	Business Continuity Planning	TBC	70	The objective of this review will be to measure the maturity of business continuity planning at the Central Hawke's Bay District Council in ensuring that appropriate recovery strategies are in place to mitigate risks to the continuity of core Council services and infrastructure.

2



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6	Administration and follow-up	Ongoing	15	Ongoing communication with the CHBDC Internal Audit Sponsor, reporting for Risk & Audit Committee meetings, planning and follow-up activities as required.
	TOTAL		85	

Internal Audit Universe (2019/20-2021/22)

The list of assignments below indicates the range of typical audits that would be undertaken over a period of time at a local authority. The prioritisation of audits to be selected should be made based on existing risk assessments and other assurance activity that is received by the Council.

Audit Project / Activity and Brief Scope		Prior Years	2019/20 Plan	2020/21 Plan	2021/22 Plan
Governance					
1	Risk Management Process Review: Review of Risk Management policies and procedures				
2	Development of Risk Policy and Framework: Facilitation of Strategic and Operational Risk Assessment processes.				
3	Development of Assurance Map: Identify the assurance processes in place over the high rated risks to allow the Audit & Risk Committee to determine areas where further internal audit activity may be required.				
4	Ethics: Review of the Council's ethical standards and procedures including codes of conduct, protected disclosures policies, conflicts of interest policies and programmes				



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Audit Project / Activity and Brief Scope		Prior Years	2019/20 Plan	2020/21 Plan	2021/22 Plan
5	Strategic Planning Process (Annual Plan/Long-Term Plan): <ul style="list-style-type: none"> Review the adequacy of the procedures and practices with respect to the annual and long term planning processes covering Consultation/engagement with the community, Council staff and Councillors in developing the Annual Plan. Degree to which the Council Plan and annual plan reflects Council and community priorities The timeliness of development of the Annual Plan and coordination / resourcing through the Annual Budget and Capital Works Program The process for monitoring and reporting on achievement of Annual Plan actions. 				
6	Decision-Making Processes: Review of delegated authorities to ensure clear principles and guidelines for the delegation of authority are documented, promote timely, efficient and appropriate decision-making and are adhered to.				
Statutory and Regulatory Compliance					
1	Rates Management: Review of the policies, procedures and controls in place over the calculation and collection of rates.				
2	Regulatory Revenue: Review of the policies, procedures and controls in place to ensure the completeness of fee setting, invoicing and collection, enforcement actions and integrity of information systems for the following functions: <ul style="list-style-type: none"> Parking Animal Control Environmental Health Other bylaws 				
3	Resource and Building Consents Review of the resource and building consent processes covering: <ul style="list-style-type: none"> Compliance with the RMA/BCA Compliance with the District Plan 				

4



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Audit Project / Activity and Brief Scope		Prior Years	2019/20 Plan	2020/21 Plan	2021/22 Plan
<ul style="list-style-type: none"> • Fee setting, invoicing and collection 					
Finance					
1	Fraud Risk Management: Assess the Council's performance against key attributes of a better practice fraud control program (drawn from AS 8001:2008 Fraud and Corruption Control)				
2	Cash Handling: Review the of the cash handling procedures in place at selected Council locations such museums, libraries, waste and recycling centres, car parks and swimming pools.				
3	Procurement and Purchasing: Review procurement strategies and procedures identify potential improvements to the efficiency and effectiveness of procurement activities and Review of controls over purchasing activities (purchase order and invoice approvals) and expenditures.		✓		
4	Data Analytics: Annual Data Analytics exercise over payroll and payables master and transactional data to identify potentially suspicious relationships, trends and transactions.			✓	
5	Accounts Receivable and Credit Control: Review of policies, procedures and controls over invoicing, collection of revenues and credit management.				
6	Sensitive Expenditure Review of policies, procedures and controls over purchasing activities (purchase order and invoice approvals) and expenditures to meet OAG expectations for Sensitive expenditure.				
7	Fixed Asset Management:				



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Audit Project / Activity and Brief Scope		Prior Years	2019/20 Plan	2020/21 Plan	2021/22 Plan
	Review of policies, procedures and controls in place for safeguarding and verifying the existence of fixed assets including disposal procedures and procedures for monitoring the existence of assets.				
8	Grants: Review of policies, procedures and controls over the awarding of grants including criteria for awarding grants, consistency, transparency and management of conflicts of interest and monitoring of use of grants.				
Operations and Infrastructure					
1	Management of Contractors: Review of the policies, procedures and controls in place over the engagement of external contractors at the Council.				
2	Buildings Management: Review of the policies, delegated authorities, procedures and controls in place over condition and usage of council-owned properties.				
3	Capital Works Management: Review of the policies, procedures and controls in place for developing, approving and monitoring performance of capital works programmes.				
4	Contract Management: Review of policies, procedures and controls in place over contracts including delegated authorities, tender procedures, monitoring of contractual terms (SLAs, renewal and termination clauses) and monitoring performance of contracted parties.				
5	Project Management Methodology:				

6



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Audit Project / Activity and Brief Scope		Prior Years	2019/20 Plan	2020/21 Plan	2021/22 Plan
	Review of the Council's project management methodology against better practice standards.				
6	Water Supply/Waste Water Management: Review of policies, procedures and controls in place over key water and waste risks including quality performance monitoring, monitoring of key supply and maintenance contracts, emergency response plans and fee setting and invoicing procedures.				
7	Asset Management: Review of processes and controls to ensure alignment between Asset Management Plans, Activity Management Plans and Long Term Plans.				
8	Events Management: Review of the policies, procedures and controls in place over the planning and management of major events and festivals.				
Information Services					
1	Business Continuity and Disaster Recovery Planning: Review of the effectiveness of the Council's business continuity procedures in place to respond to a disaster.				✓
2	External IT Network Vulnerability Assessment/Cyber Security Assessment of the Council's corporate perimeter systems for any potential vulnerability which would allow an unauthorised user to gain access to those systems.				
3	Records Management: Review of the policies, procedures and controls in place over the retention, destruction and confidentiality of Council documents and records.				
4	IT Security Management:				

7



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Audit Project / Activity and Brief Scope		Prior Years	2019/20 Plan	2020/21 Plan	2021/22 Plan
	Review of the design and operation of the Council's IT Security policies and procedures to protect sensitive data and systems from unauthorised access or alteration.				
Human Resources					
1	HR Practices: Review of key HR policies and procedures including recruitment, training, performance appraisal, staff retention and succession plans, disciplinary procedures and security of personal information.				
2	Payroll: Review of the payroll procedures and practices to assess whether the controls and processes ensure complete, accurate and timely processing of payroll information.				
3	Health and Safety: Review of the extent to which the Health & Safety-related policies and procedures in place at the Council meet the requirements of the Health and Safety at Work Act (2015)				

Draft for Discussion



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6 DATE OF NEXT MEETING

RECOMMENDATION

THAT the next meeting of the Risk and Audit Committee be held on 19 September 2019.

7 TIME OF CLOSURE