

Audit & Risk Committee

Open Agenda



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

Date: Tuesday 10 October 2017
Time: 10:30am
Venue: Council Chambers
35 Kenrick Street
TE AROHA

Membership

Chairperson

Sir Dryden Spring
Mayor Jan Barnes
Cr Neil Goodger
Cr Brian Hunter

Cr James Sainsbury
Cr Ash Tanner
Cr James Thomas, JP

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ITEM	TABLE OF CONTENTS	PAGE
PROCEDURAL		
1	Meeting Opening	5
2	Present	5
3	Apologies	5
4	Notification of Urgent Business	5
5	Confirmation of minutes	5
CORRESPONDENCE		
REPORTS		
6	Executive	
6.1	Long Term Plan 2018-28 - Project Update	7
6.2	Long Term Plan 2018-28 - Audit Arrangements Letter and Fees	35
6.3	Annual Report 2016/17 and Summary	41
6.4	Legislative Compliance Framework	49
6.5	Delegations - Committee, Financial, Warranted and Statutory	53
6.6	Audit and Risk Committee - Self Evaluation 2017	55
6.7	Update of Quality Internal Audits Completed to August 2017	59
7	Business Support	
7.1	Risk Policy Review	63
8	Service Delivery	
8.1	Specific Project Risk Management Review	83
8.2	Progress on Review of Ecoli Detection in Water Supplies and Havelock North Enquiry	87
9	Urgent Additional Business	

1 Meeting Opening

2 Present

3 Apologies

At the close of the agenda an apology had been received from Cr J Sainsbury

4 Notification of Urgent Business

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

5 Confirmation of minutes

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 27 June 2017

Long Term Plan 2018-28 - Project Update

Trim No.: 1925924

Executive Summary

Council is required to prepare and adopt a Long Term Plan (LTP) under the Local Government Act 2002 (LGA) every three years. This report provides a progress update on the development of the LTP 2018-28.

Recommendation

That:

1. The information be received.
2. The Committee considers whether to provide any feedback to Council.

Content

Background

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

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

Table 1 provides a high level overview of progress to date and upcoming milestones. The overall project is considered to be on track.

Table 1 – Project Timeline

Description	When	Progress
Demographic/Growth Assumptions	Feb-May 2017	Council has adopted the <i>median</i> growth projections. Major assumptions to be discussed with Audit & Risk Committee in June
Financial Assumptions	Feb-May 2017	Report presented to Committee in June.
Community Outcomes Review	Apr-Jun 2017	Council approved its new vision and outcomes in April. These are being incorporated into the various activity plans, financial strategy and infrastructure strategy.
Rates Structure	Apr 2017-Jun 2018	Council has indicated a preference to maintain the current rating structure for the LTP 2018-28.

Description	When	Progress
Activity Plans (including budgets)	Apr-Sep 2017	Activity managers presented their activity plans to Council workshops in May/June. The Activity Plans will be finalist once budgets have been completed.
Right Debate (pre-consultation) if required	Apr-Aug 2017	Pre-consultation on Waste minimisation initiatives occurred in June/July with 82 responses received. Council has asked staff to undertake further analysis of options relating to rubbish bag distribution and targeted vs general rates on waste management. This will be reported to Council in October. LTP Grants - Refer below
Infrastructure and Financial Strategy	Apr-Oct 2017	Refer below
Asset Management Plans	Feb-Oct 2017	On track
Policy Review	Apr-Oct 2017	Significance and Engagement Policy adopted 9 August Initial discussion with Council on its Policy on Development Contribution indicated only minor amendments required, and some clarifications. Staff are currently working through these and a revised Draft Policy along with the DC modelling of cost allocation will be presented to Council in October/November. Revenue and Financing Policy and Policy on Remission and Postponement of Rates will also be presented to Council later this month.
Council controlled organisation section	Jul-Nov 2017	On track.
Maori participation in decision making	Jul-Oct 2017	Refer below
Budgets/ Financials/ Notes	Jul-Dec 2017	First Cut Budgets was discussed with Council in July, including capital works spreadsheet. Second draft budgets expected to be discussed with Council in November with a final draft for inclusion in Draft LTP scheduled to be approved in December.
Document development and QA	Jul-Dec 2017	On track.
Communications Strategy	Jul-Dec 2017	On track.
External Audit Process	Jan-Jun 2018	Scheduled for Jan 2018 Refer separate report on audit fees and audit arrangement letter for the

Description	When	Progress
		LTP.
Special Consultative Procedure	Jan-Jun 2018	Scheduled for 2018

Right Debate - Grants

As part of the preparation of the LTP Council encourages early engagement with the community. The 'Right Debate' is an internal name for the pre-consultation process for the LTP. The 'Right Debate' allows Council to gain feedback from the community on significant issues, contributing to the strategic direction of Council in the earlier planning stages of the LTP.

The second topic that Council is seeking early engagement with its communities is grants allocation. Each year Council provides grants of up to \$550,000 to economic development organisations, Enviroschool, sports trust and community groups. In previous years groups and organisations would apply for funding through the Long Term Plan consultation process, and their request would be considered alongside all other submissions to the formal Consultation Document in May. One of the issues with this process was that there was insufficient time for managers to consider the project proposals and to complete accurate cost estimates for new projects. It also meant that applicant wouldn't know until late May/early June whether they would receive funding from 1 July. It is hoped that by moving this process forward to September/October this issues can be mitigated.

To ensure the grants allocation remains fair and transparent Council approved a new Policy for Long Term Plan Grants and an updated Community Ward Grants Policy in July. Eligible groups and organisations are encouraged to put forward their proposal as part of the grant application process currently underway (Hearing scheduled for 18 October).

Maori participation in decision-making (refer pp 65-67 LTP 2015-25)

This section of the LTP 2018-28 will be developed in collaboration with the Forum. Traditionally it has included updates on Treaty of Waitangi settlements and associated legislation, a description of the functions of the Forum and also how Council engage with local iwi/hapu on matters relating to resource management. Recent changes to the Resource Management Act 1991 (RMA) may see some changes to how council engage with iwi/hapu on RMA matters. The Forum has also asked for a review of its Heads of Agreement. This is currently underway. Staff will continue to work with the Forum and elected members on this section of the LTP.

Financial Strategy and Infrastructure Strategy

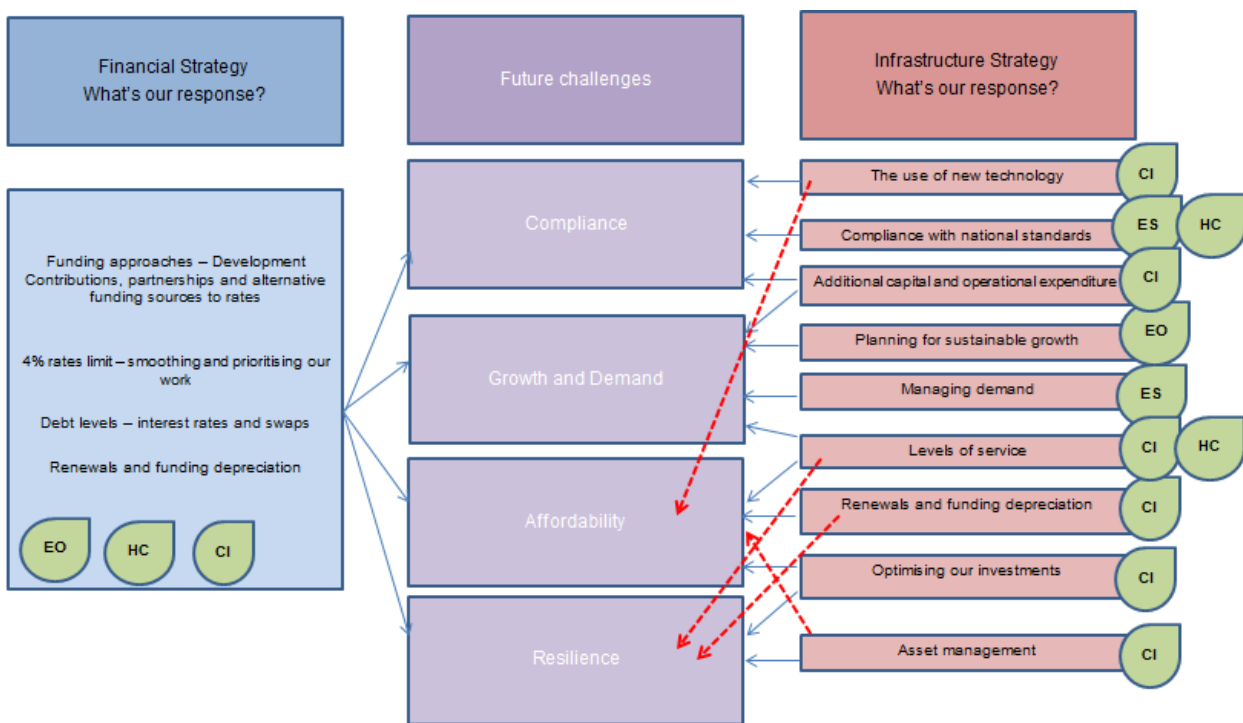
The Financial Strategy and the Infrastructure Strategy form the backbone of the Long Term Plan. Staff have worked closely with the Finance team and Assets team to ensure the two strategies are aligned, and Council's new Vision and Outcomes are reflected in both strategies. Key drivers that affect both the financial and infrastructure strategies have been identified as well as the high level responses to those drivers. These were discussed with Council at a workshop in August and formally endorsed by Council in September.

The four key drivers identified were;

- Growth and Demand
 This includes the population projections, forecast change in landuse, increasing demand from industries, tourism demand.
- Compliance
 Due to recent changes to environmental standards, including National Policy for Freshwater Management, we can expect to see increasing cost associated with the renewal of our resource consents for water take, and requirements for treatment and discharge of wastewater and stormwater. Changes to building regulations, including earthquake-prone buildings may also result in increased costs to renew and build new structures.

- **Affordability**
 The aging demographic profile of our district may suggest that there will be an increasing pressure to keep rates rises to a minimum while still maintaining levels of service. This also puts pressure on what debt level is appropriate for Council. To off-set some of these pressures Council may pursue external funding where appropriate.
- **Resilience**
 This relates to the financial and social resilience of our community as well as the structural resilience of our infrastructure network.

The below figure illustrates how each of the Financial Strategy and the Infrastructure Strategy proposes to respond (at a high level) to the challenges posed by the drivers identified.



There will always be uncertainties associated with long term planning. Legislation stipulates that the Long Term Plan must describe the significant forecasting assumptions used in preparing the plan and its financial forecasts. Furthermore an Infrastructure Strategy must clearly identify the assumptions relating to lifecycle management of the assets, levels of service and growth and demand. It is important that the assumptions are well articulated and understood, and that Council understands the potential impact of making these assumptions.

A full description of Financial and Infrastructure assumptions used during the development of the document is attached to this report.

Risk Management

Risk management involves the identification and assessment, then avoidance, mitigation or elimination of risks.

A risk log is maintained and monitored by the Project Team (Refer attached).

Legal and statutory requirements

Council is required to adopt a Long Term Plan under the Local Government Act 2002. The LGA also requires Council to establish and maintain processes to provide opportunities for Maori to contribute to decision making.

Impact on policy and bylaws

As part of the preparation of the LTP, Activity and Asset Management Plans will be checked against Council's key strategic and policy documents for strategic fit. The preparation of the LTP may lead to the review of some Council policy documents.

Impact on significance policy

The Long Term Plan is a significant document; consultation will be undertaken with the community.

Communication, consultation and decision making processes

The Long Term Plan is subject to the special consultative process under the LGA. The special consultative process is a structured one month submission process with a hearing for those who have submitted and wish to speak to their submission.

The Long Term Plan project timeline also provides for a 'pre-consultation' process with the community referred to as the Right Debate where Council can ask for feedback on key issues it is considering for the Long Term Plan. Refer *Right Debate* above.

Consent issues

There are no consent issues.

Timeframes

The Long Term Plan must be adopted prior to 1 July 2018.

Financial Impact

i. Cost

The total budget for the Long Term Plan 2018-28 is \$135,000 (funded \$45,000 per year) and \$90,000 for external audit fees (funded \$30,000 per year). This is broken down to external consultant on specific tasks (i.e. population projections), legal advice/peer review, design and printing, consultation, advertisement and external audit by Audit NZ.

At the time of writing, the Audit Arrangement Letter and Audit Fee letter from Audit NZ had not been received. Early indication from Audit NZ is that the Audit Fee for the LTP 2018-28 audit will be the same as the LTP 2015-25 audit plus 5%. Staff will provide a verbal update at the time of the meeting.

ii. Funding Source

This is funded from existing budgets.

Attachments

- A. Assumptions - Infrastructure Strategy and Significant Forecasting Assumptions (as required by s101B and Schedule 10 s17)
- B. Risk Log September 2017 - LTP 2018-28

Signatories

Author(s)	Ann-Jorun Hunter Policy Planner	
Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	

Assumptions use in the preparation of the 2018-28 Long Term Plan, 2018-28 Financial Strategy and 2018-48 Infrastructure Strategy

	Forecasting assumption	Schedule 10 Section 17 Significant forecasting assumptions	Section 101B – Infrastructure Strategy			Risk	Level of uncertainty	Reasons for and financial effect of uncertainty
			Growth and demand	Lifecycle of assets	Levels of service			
1.	<u>Council's strategic direction</u> In April 2017, Council confirmed a new strategic direction to guide the Long-Term Plan and other strategic documents and policies. –The Long Term Plan, Financial Strategy and Infrastructure Strategy will have a strategic focus on council's five priority areas of enabling connected infrastructure, economic opportunities, healthy communities, environmental sustainability and vibrant cultural values.				V	That Council decides to change its strategic direction	Medium	A clear strategic direction has been set for the Long-Term Plan. It is expected that the Strategic Vision and Outcomes will be reviewed every three years to align with the Long Term Planning process and reflect the vision of the Council of the time. Should Council's strategic direction change any significant changes may result in a re-prioritisation in budget allocation and may require a consultation process.
2.	<u>Local government structure</u> The government has amended the manner in which reorganisation of local government entities can occur. We have assumed that the structure of local government will remain the same and that no reorganisation process will occur during the life of the Long Term Plan.	V				Reorganisation could occur, resulting in an amalgamation of councils within the Waikato Region.	Low	Reorganisation processes can be triggered by the community under the Local Government Act 2002, if this occurred we would need to respond to any proposal with a decision being made by the Local Government Commission
3.	<u>Legislation</u> As an organisation that is created and derives its powers from statute, changes to legislation have a direct impact on the way we conduct our business. The speed and scale of review of legislation depends largely on the policy direction and priorities of the government of the day.	V	V			Central government will reform legislation and this may have a more significant effect on the activities we undertake and the cost of providing them	Low	Most changes to legislation are known in advance, giving councils the ability to prepare for implementation. Historical trends have been for services transferred from central government to local government or additional regulation being put in place. The cost and impact on our activities as a result of future legislative changes cannot be quantified at this stage as it would be dependent on the specific

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	While we anticipate that there will be changes to legislation during the life of the Long Term Plan, we have assumed that these will not have a significant effect on our business						services affected by the legislative change. Financial uncertainty in this area would generally impact the cost of introducing changes, and the mechanisms required to fund any new services.	
4.	<u>Treaty of Waitangi Settlements</u> We have assumed that there will be no significant additional costs to us arising from Treaty of Waitangi settlements, including co-management agreements.	V	V			The impact of Treaty of Waitangi settlements may be greater than expected	Low The government is in the process of completing settlement negotiations with Iwi in and around our district. The outcomes of the settlement processes will result in co-governance arrangements. We will need to partner with Iwi and other councils in the Waikato Region in the formation and operation of co-governance entities. Co-management processes may add significant costs, but we have not been able to quantify what those costs (if any) will be.	
5.	<u>Growth Population</u> The resident population of the district is projected to experience a medium rate of growth from 34,980 in 2018 to 36,540 by 2028 and 36,950 by 2048 which is an annual average growth rate of 0.4% and 0.2% respectfully. Factors such as the aging population contribute to a projected decline in the average household size. <u>Dwellings</u> The number of dwellings is projected to increase from 14,312 in 2018 to 15,327 by 2028 and to	V	V			That growth is higher or lower than projected due to an increase in births, a decrease in deaths a change in migration or other influences. That growth does not occur in the areas where we have provided for development.	Low-medium Growth population and household projections are based on the districts actual growth over the last 10 years, as well as assumptions about the rate of births, deaths and migration in the district. Council has adopted a 'medium' growth scenario for the district as being the most appropriate for its long term planning. This is consistent with recommendations from Statistics New Zealand. If the growth in rating units is higher than the conservative level we have adopted, then the rates requirement can be spread across more ratepayers than currently forecast.	

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<p>16,489 in 2045. This is a 0.6% average growth rate from 2018 to 2028 and 0.5% average growth rate to 2048.</p> <p><u>Rating units</u> The number of rating units is projected to increase from 14,961 in 2018 to 16,039 by 2028 and to 16,719 in 2048. This is an annual average growth rate of 0.7% from 2018 to 2028 and 0.5% to 2048.</p> <p>Further details on the district population, dwellings and rating units are in Part 1 of this plan.</p> <p><u>Land use</u> The Long Term Plan has been prepared on the basis that the majority of growth in the district will be centred in the three urban areas, Matamata, Morrinsville and Te Aroha while the populations of the district's rural areas are projected to remain constant or to decline. Council has adopted town strategies which guide the planning and future development of the three main towns in the district, and adopted Plan Change 47 in 2017, reviewing the areas provided for development in our three main towns.</p> <p>Land use change projections (hectares) from 2013 – 2063 are described in detail in Part 1 of this Long</p>						<p>The growth component of new capital projects is funded from development contributions. If growth does not occur at the rate predicted, revenue from development contributions will drop compared to budget and we may have to increase rates, borrow additional funds or reconsider the projects. The total value of growth projects in the plan is \$XXXX.</p> <p>If growth in the number of rating units does not occur at the level predicted, it may also impact on the amount of rates that everyone pays compared to budget as there would be less than the forecast number of ratepayers over which to spread the rating burden.</p>	

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	Term Plan							
6.	<u>Rating valuations</u> All properties in the district will be revalued in 2018 with new values taking effect from 1 July 2019 and every three years thereafter.	V			It is possible that this process will change the incidence of rates (e.g. rural values may increase by a greater proportion than urban values).	Medium	No allowance has been made for the possible impact of changes in rating valuations in this plan. We have the opportunity to review this annually as part of the Annual Plan.	
7.	<u>Revenue from development contributions</u> The growth projection to 2028 is for a 10 year period, and is not presumed to occur on a straight-line basis. Using the growth data in recent years as a basis, we have conservatively assumed that growth will occur at a lower rate in the first five years, and at a much higher rate of growth in the last five years of the Long Term Plan.	V			That growth is higher or lower than projected due to an increased in births, a decrease in deaths or a change in migration or other influences. That growth does not occur in the areas where we have provided for development.	Medium	The growth component of new capital projects is funded from development contributions, If growth does not office as predicted, revenue from development contributions will drop and we may have to borrow additional funds or reconsider the projects.	

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8.	<p><u>Major industries</u></p> <p>There are a number of major industrial entities operating in the Matamata-Piako district that contribute significantly to our revenue streams including metered water and tradewaste income, as well as income related to development. We have assumed (unless suggested otherwise_ that these major industrial entities will continue operate and require the same services over the 10 years of the plan</p>				One or more of the major industrial entities could leave the district, or build their own infrastructure, reducing their reliance on Council, and reducing the revenue stream.	Low	A significant drop in tradewaste or metered water revenue would require either additional funding to be obtained through rates, or a reduction in the level of service provided.	
9.	<p><u>Inflation</u></p> <p>The forecasted figures in the strategy have been adjusted to include inflation expectations over the next 30 years. Inflation forecasts were provided by Business and Economic Research Limited (BERL) in September 2017, who was contracted by the Society of Local Government Managers to provide such forecasts specifically for the local government sector for this purpose. We have used the Local Government Cost Index (LGCI) which has been developed based on components of both operating and capital expenditure. The inflation factors below are applied on a cumulative basis. The average inflation factor applied over the first 10 years is X.XX% and over the next 20 years of the strategy is X.XX%</p>	V			Inflation occurs at rates much different than forecast.	Medium	Inflation is affected by external economic factors which are outside of our control. There is no certainty that the forecasts will be accurate especially in the current economic climate. If forecasts prove to be understated, then additional funding may be required, to maintain the existing levels of service. As an example, if inflation in the 2019/20 year was X% higher than forecast, this would require an additional \$XXXX in funding.	

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1	<u>Funding of future replacement of significant assets</u> We have assumed that depreciation will fund the renewal of significant assets and loans will fund any shortfall if depreciation reserves have been exhausted.	V				Funding will not be available to replace assets.	Low	If loan funding for renewals is required above any level budgeted, this would increase interest costs beyond those budgeted for. Each additional \$XXXX borrowed would increase interest costs by \$XXXX per annum and increase rates by X.XX%
1	<u>Borrowing</u> We have assumed that we will have ready access to loan funds at competitive interest rates. Our strong balance sheet supports this assumption, and the Local Government Funding Agency provides more certainty and competitiveness in the local government sector. The projected average total cost of borrowing for each of the 10 years of the Long Term Plan is shown below. These rates include the effect of forward starting interest rate swap contracts that are currently in place for years 1 to 6 of the plan. The interest rate projection is driven by the current implied market 90-day bank bill rate over the next 10-years. Because the current interest rate environment is low, we have included a buffer of 0.50% for years two to ten where we have less certainty over the trend of the wholesale rates.	V				Interest rates are higher than expected.	Medium	There is no certainty that the forecasted interest rates will be accurate. If the forecasted interest rate proved to be significantly understated, then additional funding may be required to maintain existing levels of service. An increase in the interest rate of X% would increase interest costs by \$XXXX and rates by X.XX%
1	<u>Subsidies - New Zealand Transport Agency (NZTA)</u> We receive annual subsidies in excess of \$XXXX from the NZTA. We have assumed that the rate of subsidy of 51% will remain constant over the life of the Long Term Plan. We have assumed that operating and	V				The rate of subsidy received is higher or lower than expected NZTA make changes to the subsidy rate, the funding cap or the criteria for inclusion in the subsidised	Medium	The implication of an increase in the subsidy rates or variation in NZTA criteria that allows for additional subsidy to be received could be that Council is able to get through the work programmes at a lower cost to ratepayers. Alternatively if the rates decrease or the

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	capital expenditure programs which have in the past received NZTA subsidies and/or satisfy the criteria that NZTA require in order to provide subsidy will continue to receive subsidy funding over the life of the Long Term Plan.					works programme.		<p>variation in criteria reduces our subsidy, the ability to complete the budgeted work programmes will be compromised; either requiring a higher share of the costs to be funded by ratepayers, or a reduction in the level of service provided.</p> <p>If our work programmes are not approved by NZTA, then we will need to review our budgets. Work that would otherwise receive subsidy may be deferred, or the approved three year programme may be adjusted as part of future Annual Plans. A reduction in the level of subsidy by X% per annum would increase the general rates requirement by X.XX% on average over the 10 years of the plan and/or would affect the level of service able to be provided.</p>
1	<u>Waste minimisation levy</u> Over the course of the Long Term Plan we will receive levy contributions from central government under the relevant provisions of the Waste Minimisation Act 2008. We will apply these funds to projects and provision of recycling services that meet the criteria set out in the same Act.	V				That we do not receive the predicted levels of waste levy income.	Low	We utilise the levy income to fund waste minimisation schemes, educational programmes and other such projects as is the intent of the levy. If we do not receive the amount of income predicted, expenditure in these areas may need to be reduced.
1	<u>Return on investments</u> We have projected a return on cash investments at a rate of X.XX% over the ten years of the plan. The interest rate projection is driven by the current 90-day bank bill rates as implied by the 10-year swap rate. We have not budgeted to receive returns on	V				Interest rates are lower than expected. The internal rate of interest could be much lower than forecast.	Low	<p>There is no certainty that the forecasted interest rates will be accurate. If the forecasted interest rate proved to be significantly overstated, then additional funding may be required to maintain are existing levels of service.</p> <p>A decrease in the investment interest rate of X% would</p>

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	<p>investments held for strategic purposes over the next 10 years of this plan (as set out in the Financial Strategy).</p> <p>Interest earned on internally borrowed funds will be used to subsidise rates. The estimated interest rate for year one is X.XX% being the forecast midway point between Council's average external borrowing and average external investments. The estimated rate applied for years two to ten is X.XX%, calculated on the same basis.</p>						<p>decrease interest income by \$XXXX and increase rates required by X.XX%. A reduction in internal interest would result in a shift between general and targeted rate requirements, but overall, would have no significant impact.</p>	
1	<p><u>Assets – Useful life and asset information</u> The useful lives of assets are assessed in accordance with the depreciation rates as set out in our accounting policies. It is assumed that assets will be replaced at the end of their useful life on a 'like for like' basis (i.e. location, size) using the most appropriate materials available at the time the asset is renewed/replaced. There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. Valuations of significant assets classes will be performed on a one to three yearly basis. Valuations will also be undertaken if we are concerned that values may have shifted significantly over any given period of time. Planned asset acquisitions (as per the capital expenditure programme) will be depreciated on the same basis</p>	V		V	<p>The physical deterioration and condition assessment used in the valuation of an asset could be at an amount that does not reflect its actual condition. This is a particular risk for those assets which are not visible, such as underground stormwater, wastewater, and water supply pipes.</p>	Low	<p>There is no certainty that asset components will last for their design lives. These have been identified through the National Asset Management Support Standards and experience to date indicates no significant errors.</p> <p>Asset replacement is budgeted at the expected end of their useful life and earlier replacement will result in a loss on disposal of any residual value. Earlier replacement may result in the deferral of other discretionary capital projects in order to remain within self-imposed debt limits. This risk is minimised by performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any deterioration or surplus capacity of an asset.</p>	

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	as existing assets. Details about data confidence and asset lives for the various asset groups are included in the relevant asset section of the Infrastructure Strategy.							
1	<u>Sales or transfer of assets</u> It is assumed throughout this plan that we will retain ownership of our significant assets and continue with the current Council Controlled Organisations.	V		V	That the financial or nonfinancial objectives of holding strategic assets or Council Controlled Organisations are not achieved. The risk of loss is low.	Low	Should specified returns not be attainable, we would review our investment. Such a review may have a financial impact. Any decision to sell or partially sell would be significant and a full proposal with options to be considered would be provided to the community for feedback as part of a consultation process.	
1	<u>Service Delivery</u> The governance and service delivery arrangements for our activities and services will remain.		V			Low	Service Delivery reviews will be completed in accordance with legislation. Any recommendation to change the way in which we deliver any service will be considered at the time, and may require community consultation. Any change to service delivery method or governance arrangements may result in service interruption and/or unbudgeted costs of transitioning.	
1	<u>Levels of service</u> We have assumed that demand for our services and community expectations regarding the level of service we provide will not change significantly. In developing this Long Term Plan we have also assumed that the current levels of service we provide will continue unless specifically stated otherwise.	V			External factors or budgetary constraints may adversely affect our ability to deliver intended levels of service. There are significant changes in customer expectations regarding demand for services or levels of service.	Low	A number of factors may impact our ability to deliver our intended levels of service, such as financial constraints or a natural disaster. Expectations of the community may also change over time. Changes to levels of service may affect the scale and type of infrastructure and services we provide. If significant changes occur we will need to reassess the effect on capital expenditure projects and determine	

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	<p>For some of our assets recent changes to legislation and the regulatory framework require us to change our levels of service. This is particularly true for the water supply services, where increasing environmental and health standards require improved water quality and improved security of water sources. Similar changes can be seen for wastewater and stormwater where increasing environmental standards require improved treatment of wastewater and stormwater before it can be disposed into the environment.</p> <p>The Roding activity is also seeing changes to the levels of service, with the implementation of One Network Road Classification system. This is likely to see the levels of service for some roads improve and others decrease.</p>						<p>the materiality of change to the Long Term Plan. The financial effect of uncertainty for this assumption cannot be quantified.</p> <p>Any significant changes to levels of service would require a proposal with options to be considered for feedback as part of a consultation process.</p>	
1	<p><u>Climate change and natural hazards</u> We have assumed that there will be no significant impact from climate change, no significant natural disaster and that our funding of civil defence will continue.</p> <p>The Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report was completed in 2014. This states that warming of the climate system is unequivocal, and since the 1950s, many of the</p>	V			<p>The risk is low in the short term and medium for the term of this strategy. Projected climate change and hazard scenarios such as storm events are greater or lesser than what has been projected. A lack of preparedness and resilience in the event of a natural disaster would compromise our ability to provide services to the community.</p>	Medium	<p>Climate change and hazards could have adverse impacts on public and private property, and our infrastructure such as the roading and stormwater networks. Overestimation of the effects of climate change or hazards could result in unnecessary work, but an underestimation of effects could impact on emergency project works. Either scenario would affect ratepayers as infrastructure and hazard planning cost money.</p>	

	Forecasting assumption	Schedule 10 Section 17 Significant forecasting assumptions	Section 101B – Infrastructure Strategy			Risk	Level of uncertainty	Reasons for and financial effect of uncertainty
			Growth and demand	Lifecycle of assets	Levels of service			
	<p>observed changes are unprecedented. Central government recognises climate change as a long term strategic issue for New Zealand.</p> <p>In the Strategy we have taken the effects of climate change into account for certain activities that it would affect the most, such as stormwater, water and wastewater. Climate change could also pose challenges for the district in relation to land use and the economy in the future such as crop production. We recognise New Zealand’s vulnerability to natural disasters. If our communities are not adequately prepared we may not be able to recover from a natural disaster.</p>				<p>Significant natural disasters could compromise our community’s ability to pay for services. Significant natural disasters could further increase insurance costs beyond the level budgeted.</p>		<p>A significant natural disaster could disrupt our economy and day to day activity, reducing the ability of our community to pay for services and significantly increase insurance costs– as has been seen with the Canterbury earthquakes. The financial effects of these risks are dependent on the occurrence and scale of future natural disasters, so the timing and financial impact on the forecasts in the Strategy cannot be quantified</p>	
2	<p><u>Resource consents and environmental standards</u> We hold several resource consents for the activities that we undertake - these are in the main for taking water for our town water supplies, and discharging stormwater and treated wastewater from our networks. These consents are obtained from the Waikato Regional Council and are influenced by national policy – such as National Environmental Standards and National Policy Statements under the Resource Management Act 1991 framework. We have assumed that the conditions of resource consents for our activities will not be altered significantly during the life of the Long Term Plan.</p>	V	V		<p>Conditions of resource consent are altered significantly and without allowing sufficient time for planning. Changing Environmental standards could increase costs and put pressure on the affordability of the services we provide. Community expectations of the Environmental performance of Council services could increase.</p>	Medium	<p>Resource consents are normally granted for long periods and are anticipated well in advance. We have made provisions in our budgets for the renewal of resource consents, including an allowance of XX% to provide for potential additional requirements of consent conditions. The final costs of obtaining consents are difficult to predict (given the availability of appeals under the Resource Management Act 1991). The impacts of changes to environmental standards may be significant in the longer term, however financial effects are difficult to predict.</p>	

	Forecasting assumption	Schedule 10 Section 17 Significant forecasting assumptions	Section 101B – Infrastructure Strategy			Risk	Level of uncertainty	Reasons for and financial effect of uncertainty
			Growth and demand	Lifecycle of assets	Levels of service			
2	<p><u>Collaborative partnerships</u> Partly in response to the government’s direction, we have budgeted in this Long Term Plan to work towards greater regional collaboration. However in preparing the Long Term Plan we have not assumed any cost savings (other than those from existing partnerships) in our budgets.</p>	V				Low	<p>An example of a partnership that has been established is the joint provision of rubbish and recycling services with the Hauraki and Thames-Coromandel District Councils, which has resulted in cost savings for the community. While we will continue to look for efficiencies and cost saving in the provision of our services the financial effects of this work are unknown. We have the ability to review budgets with the Annual Plan.</p>	

Long-Term Plan 2018-28 – Risk Log

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
1.	<p>Inappropriate focus for elected members</p> <p>There is a risk the Long-Term Plan development does not establish the appropriate focus for elected member's political involvement, for example by not focusing on the issues that require decisions.</p>	10/10/16	Project team	Possible	Moderate	(Moderate)	Elected members will be briefed on current Long-Term Plan and other projects, current and future national and regional strategic direction, local issues, and provided with an understanding of demographic factors (age structure, population projections, specific areas of growth and decline, household size, dwelling types) and performance measures. This will ensure the level of detail within the Long-Term Plan project does not mean elected members lose focus on the important issues and matters requiring decisions.	Possible	Significant	Minor	Michelle-Staines Hawthorne	Project team meetings or project milestones	Open	Risk to be reviewed by the project team at each meeting

¹ after mitigation applied

1

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
2.	<p>Inadequate budget control \$45,000 is provided each financial year for the Long-Term Plan (GL 3036). Any unused funds are carried over for the Long-Term Plan year to smooth the rates impact of the project. This includes demographic work, document design, printing, advertising and other costs associated with consultation on both the right debate (pre-consultation) and consultation document. In addition to this, funding is provided through Asset/Policy for the preparation of asset management plans and related documents and another budget to provide for Audit fees. Costs provided for the audit of the Long Term Plan 2018-28 will be outlined in the audit arrangements letter.</p> <p>Provision of insufficient budgets could adversely affect the quality of supporting information and the consultation process with the community.</p> <p>Poor management of budgets could result in insufficient funding to complete key processes around document production and engagement with the community.</p> <p>Poor management of budgets could detrimentally affect political/community views of the project and Council as a whole regarding a high profile planning/budgeting document.</p>	10/10/16	Project team	Possible	Significant	(Moderate)	<p>The project manager is responsible for monitoring the budget and advising the executive team of any issues. Budgets are set based on knowledge of previous project costs, taking in to consideration any likely increases in cost and any cost savings that can be achieved.</p> <p>At this stage we are confident that the project can be completed comfortably within the project budget.</p>	Highly unlikely	Significant	Minor	Michelle-Staines Hawthorne Danny Anglesey	Project team meetings or project milestones	Open	Risk to be reviewed by the project team at each meeting

Attachment B

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
3.	<p>Poor community engagement The Long Term Plan and consultation document are the primary vehicles for talking to the community about the Council's plans for the next 10 years. Key conversations regarding levels of service, rates and debt need to take place within this framework. While it is not expected that all individuals within the community will agree with Council proposals, we expect to achieve a level of understanding of the issues the Council faces and why it has made the decisions that it has.</p> <p>A lack of engagement with the community at an early stage in the project may lead to a misunderstanding of what both Council and the community perceive the key choices Council needs to make.</p> <p>Failure to convey messages around Council's proposal for the next 10 years, why these decisions have been made and the alternatives available to the community may lead to a lack of understanding/ engagement with the community on key issues.</p>	10/10/16	Project team	Possible	Significant	Moderate	<p>Pre-consultation may be undertaken on the key issues identified as part of the Long Term Plan. For example during the previous Long-Term Plan process Council undertook a 'right debate' exercise, this identified the PNZ fund, demand for water and the possible extension of rubbish and recycling to the rural areas as questions for the community to consider.</p> <p>The intent of these exercises is to achieve a level of understanding with the community on the issues facing Council prior to their inclusion in the long term plan budgets.</p> <p>With the exception of the extension of rubbish services (which did not go ahead) these matters were covered in the consultation document.</p>	Highly unlikely	Significant	Minor	Michelle-Staines Hawthorne Communications staff	Project team meetings or project milestones	Open	<p>19/9/17 – Council is currently undertaking pre-consultation with the community on Grant allocations.</p> <p>8/6/17 Council is currently undertaking a pre-consultation with the community on the future of Waste Minimisation</p> <p>Risk to be reviewed by the project team at each meeting</p>

Attachment B

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
4.	<p>Lack of document control/quality The Long Term Plan, Consultation Document and the associated strategies and policies are intended to tell a cohesive story about what Council plans to do. The documents draw from a wide range of sources, with parts written by a number of people across the organisation.</p> <p>There is a risk that the Long Term Plan, Consultation Document and the associated strategies and policies could lack cohesion and contain inconsistencies and errors.</p>	10/10/16	Project team	Moderate	Significant	(Significant)	<p>All documents are reviewed by a core group of the project team, including the PM, Communications, Finance and Asset Management to ensure consistency of language, projects and financials throughout the documents.</p> <p>Time for internal Q&A has been allocated in January 2018 prior to the commencement of the audit.</p> <p>Communication with internal designers has been limited to two staff to ensure quality control of externally prepared documentation.</p> <p>Council also engages a legal review of its rating policy in the Long-Term to ensure legislative compliance.</p> <p>During the previous LTP staff undertook a peer review with Waipa DC of the underlying documents. This was suggested as an approach to ensuring compliance with legislative requirements. The project de-brief suggest the peer review was not particularly useful and staff will look for alternative ways to provide QA.</p> <p>Communications staff provide 'plain englishing' of the Long-Term Plan for readability and consistency.</p>	Possible	Significant	Moderate	Michelle-Staines Hawthorne	Project team meetings or project milestones	Open	Risk to be reviewed by the project team at each meeting
	Page 28						<p>A representative from KVS and KC has been included on the project team to ensure input from these teams is co-ordinated and integrated.</p>				Term Plan 2018-28 - Project Update			

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
5.	<p>Weak level of governance engagement</p> <p>The Long Term Plan and consultation document are the primary vehicles for talking to the community about the Council's plans for the next 10 years. This document requires ownership by the elected members and it should reflect their collective decisions for the community.</p> <p>A lack of engagement with the elected members in the project may lead to a misrepresentation of what they collectively see as they key issues for the community and a lack of ownership of the document.</p>	10/10/16	Project team	Moderate	Moderate	(Moderate)	<p>Staff will be engaging with Council explaining the work streams as a 'project on a page'. While returning Councillors were assumed to have an existing level of understanding of the requirements of the Long Term Plan, all Councillors have been taken through the same material. Workshops on a number of items and Council reports will be undertaken to ensure understanding of the key issues.</p> <p>At the start of the project, elected members will be provided with high level briefings of the overall strategic direction at a national, regional and local level – for example, pressure on water resources, centralisation of community facilities, One Network Road Classification (ONRC), establishing Council Controlled Organisations, legislative changes and pressures, population and housing changes from Auckland.</p>	Possible	Moderate	Moderate	Michelle-Staines Hawthorne	Project team meetings or project milestones	Open	<p>19/9/17 – Project team continues to run workshops and provide regular project updates to elected members.</p> <p>8/6/17 Regular workshops with elected members have been facilitated to discuss the various parts that form the LTP and specific issues and topics that needed further exploring.</p> <p>Risk to be reviewed by the project team at each meeting</p>

Attachment B

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
6.	<p>Not addressing legislative changes or meeting legislative compliance</p> <p>Central government has undertaken a series of amendments to key local government legislation, some of which was only passed mid-2014, while the previous LTP project was in progress and further legislative change has been signalled and may come into effect within the life of this project. SOLGM has indicated it will be “touch and go” whether the current legislative change proposals will be enacted in time to take effect for the 2018 Long-Term Plan. Key changes previously made relate to:</p> <ul style="list-style-type: none"> • Mandatory performance measures • The Consultation Document • Changes to the Audit approach • The Infrastructure Strategy • The Significance and engagement policy <p>A lack of understanding of changes to legislation could result in non-compliance with legislative requirements.</p> <p>There's a risk that Non-compliance with legislative requirements may result in a challenge to Council processes and decision making regarding the setting of budgets, rates and policy.</p>	10/10/16	Project team	Likely	Significant	(Significant)	<p>Changes to legislation will be signalled to Councillors as part of the ‘project on a plan’ as work streams from the project have progress Councillors have received update on the relevant legislation to ensure they understand the Council’s obligations.</p> <p>The Society of Local Government managers (SOLGM) issues guidance, a health check and a checklist - recently updated to incorporate legislative changes. These guidance documents will be referred to by staff throughout the project. SOLGM also offers education programmes, which this year have focussed on changes to legislation as it applies to the LTP. Council staff will also consider developing a quality assurance plan as suggested by SOLGM. The local government sector also operates a series of list-serves which allow staff to discuss issues with people in similar roles across the local government sector.</p> <p>Staff regularly review publications by the Office of the Auditor General (OAG) relating the Long Term. Council’s auditors request the completion of a self-assessment prior to the commencement of the audit. Staff will also undertake a review of our data collections systems to ensure that information required for reporting on performance measures is in place and working prior to 1 July 2018.</p> <p>Use/testing of updated systems will take place in early 2018.</p>	Possible	Significant	Moderate	Michelle-Staines Hawthorne	Project team meetings or project milestones	Open	<p>19/9/17 – Parliament has risen for the General Election. No new or changes to legislation will occur until the new parliament is sworn in.</p> <p>8/6/17 The Local Government Act 2002 Amendment Bill No 2 is currently On Hold (Select Committee phase). And with the House rising in August for the general election, it is unlikely that this bill will come into force prior to the LTP.</p> <p>Risk to be reviewed by the project team at each meeting</p>
	Page 30												Term Plan 2018-28 - Project Update	

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
7.	<p>Lack of resourcing/loss of key staff The preparation of the Long Term Plan represents a higher workload for financial and planning staff than managed in years where an Annual Plan is prepared.</p> <p>Lack of resourcing and/or loss of key staff could adversely impact project timelines and document quality. Staff loss may also be for short-term period for example annual leave, injury. Over the life of the plan it is likely that key staff will be unavailable at particular times.</p>	10/10/16	Project team	Likely	Moderate	(Significant)	<p>Staff resourcing was considered well before the start of the project. In 2013 a Management Accountant was brought in as an additional resource for the financial team. Skill sets in the Corporate and Legal Services Team have been focused on policy experience as the opportunity for review presented itself with staff turnover up to the commencement of the project.</p> <p>This has meant that the project team has a good base in terms of resourcing and experience, this has improved that resilience of the team – as a result the loss of one or two key staff while not ideal for the project is not likely to have a significant impact.</p> <p>An additional administrative resource has been brought into the Corporate and Legal Services Team to cover role changes during maternity leave absence.</p> <p>Replacement of staff would follow standard HR processes; staff must give a minimum of one month's notice of resignation – giving an opportunity for handover of any critical issues before their departure.</p> <p>In the event of loss of staff, the budgets can accommodate some use of consultants to assist with document preparation.</p>	Possible	Moderate	Moderate	Michelle Staines-Hawthorne, Danny Anglesey, Susanne Kampshof	Project team meetings or project milestones	Open	<p>20/9/17 – Ongoing monitoring.</p> <p>Risk to be reviewed by the project team at each meeting</p>

1

Attachment B

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
8.	<p>Not achieving timeframes The Long Term Plan must be adopted prior to 30 June 2018. The project timeline for a Long Term Plan is typically 14-18 months. 8-12 months is allocated to preparation of activity/asset management plans, revaluations, budgets, and other supporting documents. The remaining 6 months is allocated to the auditing process, adoption and consultation on the documents, hearings, amendments and adoption of the final documents.</p> <p>Slippage in critical timeframes could adversely impact document quality, Council and community engagement in the development of the Long Term Plan and legislative compliance.</p>	10/10/16	Project team	Moderate	Significant	(Significant)	<p>A project timeline was developed for the project in conjunction with key staff. This is critical to ensuring adequate resources are available and buy-in from the project team on document delivery.</p> <p>The project will be delivered to Councillors as a 'project on a page' identifying the key work streams and indicative timeframes for delivery of material.</p> <p>The revaluations of assets - a critical component of budget development was brought forward, meeting the needs of our Annual Report project and the Long Term Plan.</p> <p>The project timeline has been designed for 'early delivery' of the Long Term Plan. This means that the draft documents have been delivered and scheduled for auditing slightly ahead of when they would usually be completed in the Local Government sector, this means there is for some slippage in project timeframes</p>	Possible	Significant	Significant	Michelle-Staines Hawthorne Danny Anglesey Susanne Kampshof	Project team meetings or project milestones	Open	<p>20/9/17 – AAL not received. Staff will provide an update at the October meeting.</p> <p>First cut budgets were presented to Council in July/August, and Second Draft is on track for discussion with Council in November.</p> <p>8/6/17 The project is on track with first cut budgets expected in July, as scheduled.</p> <p>Audit NZ has indicated that the Audit Arrangement Letter will be delayed due to OAG delay in preparing their audit guidance for the LTP. The AAL is expected in July/August.</p> <p>Risk to be reviewed by the project team at each meeting</p>
Page 32													Term Plan 2018-28 - Project Update	

Risk No	Description	Date Raised	Raised By	Gross Risk Rating			Mitigating Actions	Residual Risk Rating ¹			Owner	Review date	Status	Comments Latest comment first preceded by date
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
9.	<p>Incorrect underlying information/assumptions</p> <p>The underlying assumptions are critical to the completion of the long Term Plan, it is essential that we work with the best information available.</p> <p>If underlying information and assumptions are significantly incorrect, this will adversely affect our planning and budgeting for the Long Term Plan. This can result in the over/under allocation of resource to provide for the long term growth of our communities.</p>	10/10/16	Project team	Moderate	Moderate	(Moderate)	<p>Information on the underlying information and assumptions will be obtained through expert demographers and using approved inflation assumptions.</p> <p>At the start of the project, elected members will be briefed on demographic projections (age structure, population projections, specific areas of growth and decline, household size, dwelling types), district economy and lifestyle trends.</p>	Possible	Moderate	Moderate	Michelle-Staines Hawthorne Danny Anglesey Susanne Kampshof	Project team meetings or project milestones		<p>19/9/17 – An update report on all assumptions will be discussed with Audit & Risk in October.</p> <p>8/6/17 Council has adopted the population projections independently prepared by Rationale. Financial assumptions will be discussed with ARC in June.</p> <p>Risk to be reviewed by the project team at each meeting.</p>

1

Attachment B

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				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact	Net Risk				
10	Authority/CF Asset System Failure resulting in capitalisation difficulty	1/17	Project team	Moderate	Minor	Minor	The Budgets and Capitalisation can be completed manually.		Minor	Minor	Danny Anglesey Susanne Kampshof	April 2017	Open	20/9/17 – Authority 7 upgrade was completed in June. Risk to be reviewed by the project team at each meeting. April '17 - Current risk is around the Authority 7 upgrade being completed in June. Although testing of the update has been done - This may delay the first cut of budgets, through systems issues or diverting staff time from the LTP project to deal with other matters.

Long Term Plan 2018-28 - Audit Arrangements Letter and Fees

Trim No.: 1917468

Executive Summary

The Audit Arrangements Letter for the 2018-28 Long Term Plan (attached) outlines the:

- terms of the audit engagement;
- approach to the audit;
- areas of particular audit emphasis;
- audit logistics; and
- professional fees.

Recommendation

That:

1. **The information be received;**
2. **Any views on the audit arrangements letter for the Long Term Plan 2015-25 are provided to Council.**

Content

Background

At this stage staff are still working with Audit on whether the letter will be available for this meeting. If it is not, the letter will be sent to the December Committee meeting for review.

Attached for the committee's information is a letter from the Office of the Auditor General regarding the approach expected of the auditors when setting fees for the Long Term Plan audit.

Attachments

- A. OAG letter - approach to audit fees for the Long Term Plan 2018-28

Signatories

Author(s)	Michelle Staines-Hawthorne Corporate Strategy Manager	
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Approved by	Manaia Te Wiata Group Manager Business Support	
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Item 6.2

9 August 2017

File ref: EN/LCA/3-0025

Ms Jan Barnes
Mayor
Matamata-Piako District Council
PO Box 266
Te Aroha 3342

Dear Jan Barnes

2018-28 LONG-TERM PLAN AUDIT FEES

As we are approaching the next round of long-term plan (LTP) audits, our Office has considered how the 2018-28 long-term plan (LTP) audit fees will be set. I have outlined our decision below, as well as the approach our appointed auditors will take to seek recoveries in the event of incurring audit costs above expected levels, due to poor delivery by a local authority.

Audit fees

Consistent with the approach taken for the 2015-25 LTP audits, I have advised each of our audit service providers of the total combined audit fees that they may charge for the group of LTP audits that they carry out on my behalf (the "fee envelope"). The fee envelope reflects a significant constraining of audit fees relative to the costs actually incurred to complete LTP audits in the past. The fee envelope is based on the total fees established for the 2015-25 LTP audits, plus an increase of 5%, reflecting inflation over the three year period to 2018. In my view this total fee level is fair and reasonable to both the local authority sector, and my audit service providers.

I have given each audit service provider discretion as to how it splits its fee envelope across each of its local authority clients. In applying their discretion I expect each audit service provider to be fair and reasonable to all local authorities in using their fee envelope.

Your auditor will soon commence discussions on your proposed fee for the 2018-28 LTP audit.

Our approach to cost recoveries and managing non-delivery

The fee envelope is based on the premise that local authorities perform to expectations. If not, auditors will be able to seek reasonable additional cost recoveries for the impact of poor delivery by a local authority, and auditors have been provided with clear expectations about that.

To ensure consistency from auditors, our Office has developed guidance on what we consider to be "good delivery" by a local authority for an LTP audit engagement. We have also developed guidance,

Attachment A

based on that provided by the New Zealand Society of Local Government Managers (SOLGM), as to the minimum information a local authority will need to support their consultation document.

I have included these expectations in Attachments One and Two to this letter.

General

If you want to discuss the content of this letter, please contact Kristin Aitken (your sector manager) or Murray Powell (Director, Auditor Appointments) on (04) 917 1500.

Yours sincerely



Greg Schollum
Deputy Controller and Auditor-General

CC Don McLeod, Chief Executive
Ben Halford, Appointed Auditor

Attachment One: LTP audit cost recovery guidance provided to auditors

Proposed fees: 2018-28 LTPs

The audit engagement letter outlines that the fee for the audit of the consultation document and LTP is based on the following:

- That the information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document (refer Attachment Two).
- That all documentation (consultation document, LTP and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- That the consultation document and LTP will include all relevant disclosures.
- That there is an appropriate level of assistance from local authority staff.
- That two drafts of each of the consultation document and LTP will be reviewed during the audit.
- That one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website) will be reviewed.
- That there are no significant changes in structure or level of operations at the local authority impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.

Implications of non-delivery and additional cost recoveries: 2018-28 LTPs

Auditing of consultation documents and LTPs in a constrained timeframe creates significant resource and cost pressures on our audit service providers. I expect our audit service providers to plan appropriately and treat all local authorities fairly when allocating audit resources. This works well when all local authorities deliver good quality material in the agreed timeframe.

Auditors may seek OAG approval to recover additional costs when the local authority fails to meet the agreed deadlines and/or produce a consultation document, reliable underlying information or an LTP of readily auditable quality, and that failure has directly resulted in unavoidable increases in the expected hours for the audit engagement. Auditors will not be able to recover additional costs simply because the quoted fee is too low, relative to the actual time taken to complete the engagement.

Auditors will be able to seek OAG approval to recover additional costs (1) once the consultation document audit report is issued, and/or (2) at the end of the engagement after the LTP audit report is issued.

I expect that the auditor will notify the local authority as soon as practicable if it becomes apparent that the local authority is failing to deliver to engagement expectations. Ideally, the local authority would then take the opportunity to improve its delivery, in the knowledge that the auditor has already begun to incur unnecessary additional costs and might seek the approval of our Office to recover them.

I also consider it reasonable for auditors to seek cost recoveries if there were a change in direction (such as a change in the financial strategy of the local authority) during the development of the consultation document, or between the development of the consultation document and the LTP, which results in additional hours for the audit engagement.

Auditors should also be familiar with the expectations developed by the sector and included in the SOLGM guidance, and we have outlined that in Attachment Two.

Attachment Two: Expected documentation to support the consultation document

SOLGM guidance sets out the documentation that the sector believes is required to support the consultation document. The guidance highlights that the required content of a consultation document is sufficiently wide that local authorities should prepare and adopt much of the information required by Schedule 10 of the Local Government Act 2002 before release of the consultation document.

SOLGM's view is that local authorities should have the following ready for adoption before adopting the consultation document:

- community outcome information;
- groups of activities information – including the disclosures required under clause two of Schedule 10, capital expenditure for the group, the group level Funding Impact Statements, and performance information;
- the full financial strategy and infrastructure strategy – this may also necessitate a statement on the balanced budget (particularly if the prudence of a local authority's financial strategy is at issue);
- the forecast financial statements and other financial disclosures; and
- the full revenue and financing policy and local board funding policy (if needed). If the local authority is proposing significant changes to its development contributions, the full draft policy.

In addition to the documentation reflected above and recommended by SOLGM, we think it is essential that the significant forecasting assumptions are also made available to the public and our auditors to facilitate effective evaluation of the content of the consultation document, as they are a fundamental building block for the LTP. We also think it is important that the documentation reflected above has been developed using consistent assumptions, and is clear how it is integrated with other documentation such as asset or activity management plans.

Our Office's expectation is that the above information is complete, including significant forecasting assumptions, and has been subject to an appropriate level of quality review before being submitted for audit. This quality review would include providing assurance that the information has been compiled based on consistent assumptions, is internally consistent, and clearly linked to the consultation document.

Annual Report 2016/17 and Summary

Trim No.: 1936200

Item 6.3

Executive Summary

The Local Government Act 2002 (LGA) requires Council to adopt its Annual Report and Summary by 31 October each year. Audit New Zealand has completed their audit and we expect to receive an unmodified Audit opinion.

Council's Debenture Trust Deed requires Council to deliver to the Trustees, a completed and signed Reporting Certificate, along with an auditor's assurance report, within four months of the end of the financial year. Audit New Zealand have completed their limited independent assurance engagement in relation to Council's Debenture Trust Deed. We expect the Auditors to provide an independent assurance report with an unqualified conclusion.

Council's Auditor, Ben Halford and Audit and Risk Committee Chair, Sir Dryden Spring, will be in attendance at the Council meeting on 11 October for the adoption of the Annual Report.

This report covers the following items, all of which have been circulated separately:

- a. the Annual Report and Summary 2016/17
- b. the draft Audit Opinions for the Annual Report and Summary 2016/17
- c. the warrant of fitness for the Annual Report and Summary 2016/17
- d. the letter of representation for the Annual Report and Summary 2016/17 and staff review of representations made
- e. the misstatement schedule from the Annual Report final audit
- f. the management report on the Annual Report 2016/17
- g. the Chief Executive's Reporting Certificate for the Debenture Trust Deed
- h. the Auditor's Independent Assurance Report for the Debenture Trust Deed, Audit advise this won't be available until 11 October
- i. the letter of representation for the Debenture Trust Deed and staff review of representations made
- j. the Certificate of Solvency 2016/17

Recommendation

That:

1. The following documents be received:
 - a. the Annual Report and Summary 2016/17
 - b. the draft Audit Opinions for the Annual Report and Summary 2016/17
 - c. the warrant of fitness for the Annual Report and Summary 2016/17
 - d. the letter of representation for the Annual Report and Summary 2016/17 and staff review of representations made
 - e. the misstatement schedule from the Annual Report final audit
 - f. the management report on the Annual Report
 - g. the Chief Executive's Reporting Certificate for the Debenture Trust Deed
 - h. the Auditor's Independent Assurance Report for the Debenture Trust Deed 2016/17
 - i. the letter of representation for the Debenture Trust Deed 2016/17 and staff review of representations made
 - j. the Certificate of Solvency 2016/17
2. Feedback on the received documents is provided to Council prior to the adoption of the Annual Report and Summary 2016/17.

Content

Background

The LGA requires Council to adopt its Annual Report and Summary by 31 October each year. The Summary must be published within one month of its adoption. The Annual Report and Summary must be audited, and an opinion on the Annual Report and Summary provided to Council and the report's readers.

At the Corporate and Operations Committee meeting on 23 August 2017 Council received a summary of financial and performance measures on the draft Annual Report and Summary 2016/17 that was to be submitted to Council's Auditors. Through the audit process, which took place between 28 August and 15 September 2017, changes have been made to the Annual Report.

Issues

a. Annual Report and Summary 2016/17

Financial overview

In our report to Council's Corporate and Operations Committee on 23 August 2017, we reported a draft 1 accounting surplus of \$3,772,000, compared to our budgeted surplus of \$1,138,000. Following further review by staff and completion of Audit New Zealand's review, the final result is an accounting surplus of \$3,844,000. The following table shows the significant variances to budget as reported previously for draft 1, and then the variances following the changes made for the final result.

	Draft 1	Final
	\$000	\$000
Actual surplus	3,772	3,844
Non-cash variances to budget:		
Revenue recognised in respect of vested assets less than budgeted	193	193
Gain on the value of interest rate swaps at 30 June	(959)	(959)
Net loss on disposal of property, plant and equipment	745	745
Depreciation was higher than budgeted	190	190
KVS stock written off	75	75
Surplus (excluding non-cash items)	4,016	4,088
Cash variances to budget:		
Contributions from the TA Events Centre Trust more than budgeted	(801)	(801)
Increase in development contribution income to budget	(119)	(119)
Increase in metered and tankered water revenue to budget	(436)	(436)
Profit on sale of Mangawhero industrial lot	(271)	(271)*
Additional investment interest received to budget	(144)	(144)*
Increase in net revenue from building and resource consents	(302)	(302)*
Increase in trade waste revenue to budget	(92)	(92)
NZTA subsidy income higher than budgeted	(208)	(318)
Increase in income from refuse and EPH rental	(189)	(189)
Additional income from provision of LIMs	(53)	(53)
Tui Mine funding not budgeted for	(154)	(154)
Rates and rates penalties (not budgeted)	(156)	(156)*
Finance costs were lower than budgeted	(405)	(405)
Economic development, Civil Defence, IT, partnership grants and Regional policy budgets not spent	(329)	(329)*
Plant, asset management, District Plan budgets not spent	(320)	(320)
Higher spends than budgeted for wastewater, waste management, and water	677	677
Higher spends than budgeted for parks and property, KVS private works and salaries	231	231*
Events Centre costs reclassified as operating costs	184	184
Other minor contributing factors	9	47
Budgeted surplus	1,138	1,138

All changes made from draft 1 are outlined in the misstatement schedule. There were no significant changes to the bottom line as a result, other than an additional \$110,000 in NZTA subsidy recognised that was initially missed in the first draft.

One significant change as a result of the audit had an effect below the bottom line only; namely a change in the way we value our shareholding in the Waikato Regional Airport Limited (WRAL). We have previously recognised this investment at cost (\$2.6 million), on the basis that with a shareholding of 15.6% we do not have a significant influence, the Council holds the shares for strategic purposes only, and there is no active market for the sale of these shares. Our auditors agreed that MPDC does not have a significant influence over WRAL.

However the auditors contend that as a result of the increasing portion of WRAL's balance sheet being carried at fair value, that we are now able to reliably measure our investment in WRAL at fair value (based on our share of the net assets of the company). This has resulted in an increase to the value of our investment of \$10.174m in the current year. The increase in value does not affect the bottom line surplus for the year, but is treated in the same way that an increase from a revaluation of fixed assets is treated, increasing the asset value and a valuation reserve in equity.

Transfers to reserves

At the Council's Corporate and Operations Committee meeting on 23 August 2017, Council indicated that they would like to earmark a certain amount of the surplus achieved in the 2016/17 financial year to fund the following potential future projects, (keeping in mind that projects would still be subject to business case analysis):

	\$000
Additional grants and mayor's fund approved in July	30
Business planning for Te Aroha office and new business unit	43
Water/wastewater compliance review and investigation	100
Woodland road re-sealing	300
Assessment of Environmental Effect - Mangawhero stream	150
Assessment of Environmental Effect - Waihou River	150
Total	773

\$773,000 has been transferred from accumulated funds to the Community Purposes reserve in the financial statements to reflect the future funding of these projects. The available surpluses available for use are shown in the table on page 3 of this report, de-noted with an asterisk. The rationale for selecting these was that they are surpluses generated from general rate-funded activities or through user fees and charges, as opposed to surpluses generated from targeted rate-funded activities or from development contributions or other income streams where the funds must be used for the purpose for which they were collected.

Financial Performance Benchmarks

Benchmarks	2016/17
Rates (income) affordability	✓ within limits
Rates (increases) affordability	✓ within limits
Debt affordability	✓ within limits
Balanced budget	✓ benchmark met
Essential services	✓ benchmark met
Debt servicing	✓ benchmark met
Debt control	✓ benchmark met
Operations control	✓ benchmark met

Non-financial information

Through the audit process, Audit New Zealand required a few minor changes to the non-financial performance measures; only one major change was noted in the Misstatement Schedule. This was to change actual and target information stated in the Roding performance measure 'the changes from previous financial year in the number of fatalities and serious injury crashes on the local road network' as previous calendar year data is confirmed and interim data to be used for 2016/17 comparison.

In 2016/17 we have focused on maintaining our services to support our community while making sure cost increases are affordable. We delivered our extensive range of activities, services and projects to similar levels as detailed in the Long Term Plan 2015-25 and at a similar standard as previous years. Comparisons to both targets and previous year's results are available in the full Annual Report.

There are a total of 71 performance measures targets which Council reports on in the Annual Report. Council achieved its target performance for 46 of these 65% (2015/16: 66%). As noted in the Annual Report Part 3 What we do, 4 performance measures were missed by two percent or less. One performance measure not achieved was not measured in 2016/17 (condition of footpaths).

Mandatory non-financial performance measures

In 2015 Department of Internal Affairs introduced 19 mandatory non-financial performance measures for the core infrastructure activities (roading, water, wastewater and stormwater). The Annual Report 2016/17 is the second report on performance against these performance measures. We achieved our target for 11 of the 19 mandatory performance measures. One of these was not measured being the condition of footpaths which is measured biennially.

The seven measures that we did not achieve and page reference of the Annual Report are:

Roding, page 81

- *The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.*

Stormwater, page 86

- *The number of flooding events that occur in our district and for each flooding event the number of habitable floors affected.*
- *The number of complaints we receive about the performance of our stormwater system.*

Wastewater, page 89

- *Wastewater system faults.*

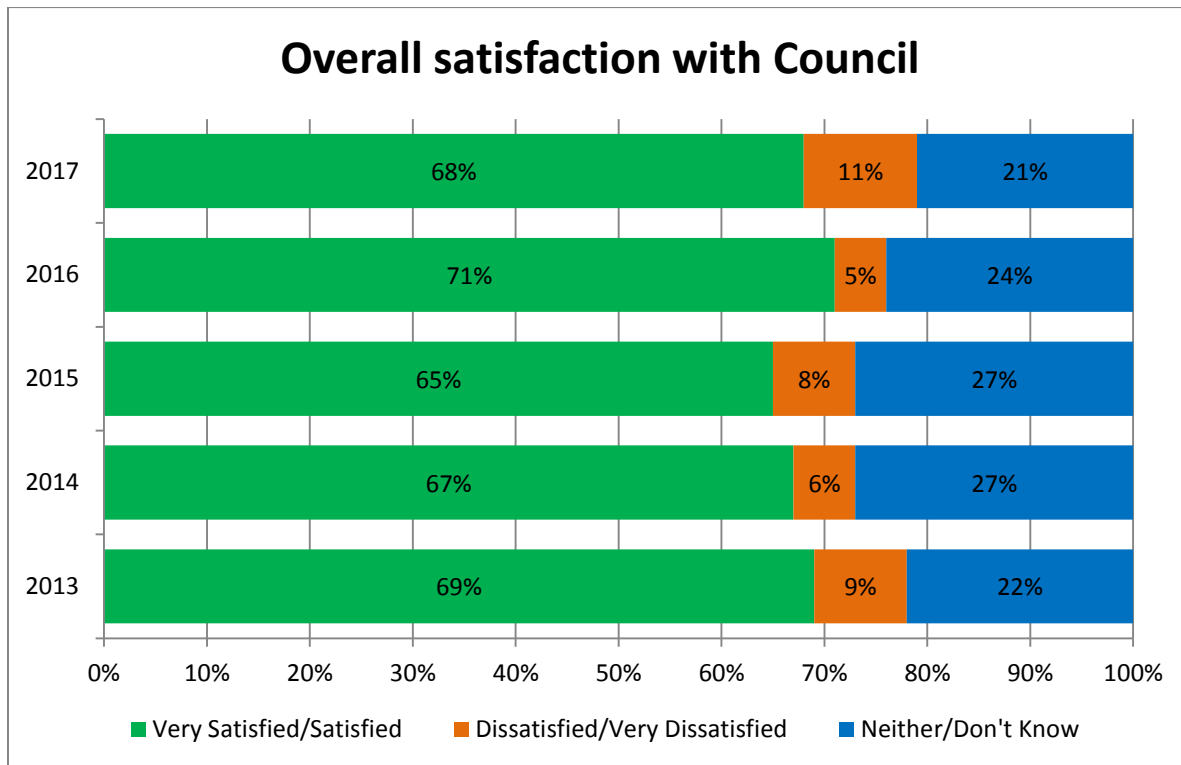
Water, page 92-94

- *Compliance with Part 4 and Part 5 of the New Zealand Drinking Water Standard.*
- *Number of complaints relating to drinking water clarity, pressure/flow.*

The annual customer survey

A number of our performance measures are measured through our annual customer survey. This survey was conducted by Versus Research Limited (Versus) in February/March 2017. This survey asks how satisfied respondents are with a number of different services or facilities that Council provides. Respondents are asked to rate their satisfaction on a 5 point scale with 1 being very dissatisfied and 5 being very satisfied.

The overall satisfaction with council services and facilities has remained similar to previous years, with 68% of respondents saying they were very satisfied (14%) or satisfied (54%), compared to 71% in 2016 (15% very satisfied and 56% satisfied). A further 21% said they were neither satisfied nor dissatisfied (2016: 23%). 11% were dissatisfied or very dissatisfied compared with 5% in 2016 and 0% responded don't know (2016: 1%).



b. Audit Opinions for the Annual Report and Summary 2016/17

Under the Local Government Act 2002 Council is required to obtain an audit of its Annual Report and Summary. Auditing on the Annual Report and Summary 2016/17 was completed between 28 August and 15 September 2017. Council expects to receive an unmodified opinion; a draft of that opinion will be circulated separately. Council’s Auditor, Ben Halford will be in attendance to present the opinion to the Committee and to answer any questions Committee members may have on the process and audit outcome.

c. Warrant of fitness for the Annual Report and Summary 2016/17

The warrant of fitness (WOF) is circulated separately to this report. The WOF has proven to be a useful tool for staff to check that significant matters have been considered in the preparation of the Annual Report. It is intended to provide some assurance to the Committee and Council in this regard.

The Warrant of Fitness section 13 is to be completed by Elected Members.

d. Letter of representation for the Annual Report and Summary 2016/17

The representation letter, circulated separately sets out the Council’s responsibilities under the LGA to report on the Council’s financial position and activities; and quality of information presented in the Annual Report and Annual Report Summary.

The letter provides assurances to Audit in relation to the following requirements, which to the best of their knowledge, Council are of the opinion have been met:

- General responsibilities relating to the Councils actions
- Responsibilities for the financial statements and the statement of service performance
- Responsibilities to provide information
- Confirmation that Council is a going concern
- Responsibilities for the information presented in the Annual Report Summary
- Publication of information on our website

To assist the Council in gaining the required assurances that these requirements have been met, staff have provided responses on what steps have been taken to meet the responsibilities outlined. These responses are circulated separately.

e. Misstatement schedule from the Annual Report final audit

The schedule of misstatements circulated separately, sets out the errors noted by Audit and by staff in the final audit. Staff will be in attendance to discuss these with Committee members. Council's auditors will also be able to provide their view on the nature of the misstatements. Committee members should note that all misstatements as listed have been corrected.

f. Management report on the Annual Report

Management report advised Audit NZ intend issuing an unmodified audit opinion. Two recommendations from Audit NZ were made, management comments sent in response are included in the report, and this will be circulated separately to this report.

g. Chief Executive's Reporting Certificate for the Debenture Trust Deed

A requirement of our Debenture Trust Deed is that the Chief Executive furnish the Trustees with a bi-annual Reporting Certificate, stating whether Council has complied with the requirements and covenants of the Trust Deed.

h. Auditor's Independent Assurance Report for the Debenture Trust Deed

As a further requirement of the Trust Deed, our auditors report to the Trustees as to whether, during the course of performing the Annual Report audit, they have become aware of any matters that would effectively contravene what the Chief Executive has reported to the Trustees through the Reporting Certificate.

Council has complied with all requirements of the Trust Deed for the year ended 30 June 2017, and expect our Auditors will provide an independent assurance report to our Trustees with an unqualified conclusion. Audit have advised this won't be available until 11 October.

i. Letter of representation for the Debenture Trust Deed

The representation letter (circulated separately) related to the Debenture Trust Deed sets out the Council's responsibilities under the engagement. To assist the Council in gaining the required assurances that these requirements have been met, staff have provided responses on what steps have been taken to meet the responsibilities outlined. These responses are circulated separately.

j. Certificate of Solvency

A Certificate of Solvency has been circulated separately. This provides additional assurance on the Council's financial state of health.

Analysis

Options considered

The Committee has the option of providing feedback to Council.

Analysis of preferred option

It is recommended that the Committee consider the documents and provide feedback to Council.

Legal and statutory requirements

Under Section 98 of the LGA, Council is required to prepare an Annual Report and Summary at the close of each financial year.

Impact on policy and bylaws

There are no policy or bylaw issues.

Consistency with the Long Term Plan / Annual Plan

The Annual Report measures our performance against the Long Term Plan 2015-25.

Impact on Significance and Engagement Policy

This issue is not considered significant in terms of Council's Significance and Engagement Policy.

Communication, consultation and decision making processes

The 2016/17 Annual Report Summary in the form of a Calendar will be circulated to the public as an insert in the Matamata Chronicle and Piako Post newspapers on 1 November 2017. The Annual Report and Summary will be available on Council's website and in Council's Offices and Libraries following adoption. E-newsletters will also be sent to those who have indicated an interest in the Annual Report and Summary.

Timeframes

The Annual Report process has been completed within statutory timeframes.

Contribution to Community Outcomes

The Annual Report measures achievements and progress against the community outcomes.

Financial Impact

i. Cost

The production of the Annual Report and Summary has a budget of \$15,000 (staff time and circulation of the Summary). Annual Report audit fees have a budget of \$120,000.

ii. Funding Source

The Annual Report cost is provided for within the Strategies and Plans activity budgets. The Annual Report and audit are funded from general rates.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Vicky Oosthoek Corporate Strategy Administration Officer	
	Larnia Weir Deputy Finance Manager	

Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	
	Manaia Te Wiata Group Manager Business Support	

Legislative Compliance Framework

Trim No.: 1892308

Executive Summary

The Audit and Risk Committee requested that staff develop a legislative compliance 'warrant of fitness' (WOF) for its review on an annual basis. A draft WOF was reported to the Committees February meeting for discussion, the Committee resolved that the framework should be adopted and completed annually by staff alongside the Annual Report.

The finalised legislative compliance WOF has been circulated separately.

Recommendation

That:

1. That the information be received; and
2. That the Committee provide comment on the legislative compliance 'warrant of fitness' for Council

Content

Background

The Audit and Risk Committee requested that staff develop a legislative compliance 'warrant of fitness' (WOF) for its review on an annual basis. A draft WOF was reported to the Committees February meeting for discussion, the Committee resolved that the framework should be adopted and completed annually by staff alongside the Annual Report.

The finalised legislative compliance WOF has been circulated separately.

Issues

What is the legislative compliance framework?

The Council's legislative compliance framework describes how the Council ensures its activities are undertaken within the law. In line with other Council frameworks (e.g. Delegations, Risk Management and Procurement) managers (Legislation Owners) have been assigned responsibilities to ensure Council compliance with relevant New Zealand legislation and associated regulations.

Why do we need a legislative compliance framework?

The Council could face severe penalties for failing to comply with legislation. Consequences can include:

- loss of reputation
- loss of accreditation
- civil and criminal proceedings
- investigation and censure from monitoring bodies
- breaches of banking and other key covenants

What is a Legislation Owner?

A 'Legislation Owner':

- is usually a member of the Management Team
- is accountable for ensuring that requirements under legislation are met
- reviews changes to legislation and informs staff of any impact of these changes
- is responsible for reporting to Executive Team on an annual basis or when a serious breach is identified
- is someone who ensures that, on a day to day basis, compliance is achieved and has processes in place that enables regular monitoring to occur by, for example,
- providing access to training for key staff
- ensuring that inspections have been conducted and situations assessed as appropriate
- reports of instances of breaches including the outcomes of any such instance, what steps have been taken to prevent further breaches, and where there are on-going compliance issues

The WOF sets out:

- The key Acts and other legal obligations or requirements
- The general elements which have a duty or compliance requirement
- The member of staff responsible for each element
- Any reporting requirements, general comments by reporting staff as relevant

For reporting on compliance, legislation has been grouped per the major functions of the Council. The reference to any Statute includes all relevant amendments.

Every effort has been made to identify the legislation which staff and others are likely to encounter in the normal course of their employment. It is imperative to note the requirements that the Council, its staff, agents and contractors must comply with all New Zealand statute law and common law obligations. The list of statutes and other obligations are set out in this Legislative Compliance policy cannot hope to be exhaustive. If staff and others learn of legislation (including new statutes or regulations) or relevance to their roles within the Council, such legislation should be referred to the Legal Officer, for review and possible inclusion in this document.

The completion of the exercise this year has highlighted some technical gaps in the delegations to staff. These are outlined in a separate report to the Committee – it is intended that these delegations are reviewed by Council at its meeting on 11 October.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Michelle Staines-Hawthorne Corporate Strategy Manager	
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Approved by	Manaia Te Wiata Group Manager Business Support	
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Delegations - Committee, Financial, Warranted and Statutory

Trim No.: 1925921

Executive Summary

Under the Local Government Act 2002, Council may delegate its statutory powers and its functions to Council Officers.

This report seeks feedback from the Committee on the delegations structure, circulated separately.

Recommendation

That:

1. The information be received.
2. The Committee provide any feedback to the Council on the delegations prior to it being submitted to Council.

Content

Background

The Local Government Act 2002

Section 48 of the Local Government Act 2002 (LGA) provides that delegations must be carried out in accordance with Part 1 of Schedule 7 of the LGA. Clause 32(1) of Part 1 to Schedule 7 of the LGA provides that, for the purposes of efficiency and effectiveness in the conduct of a local authority's business, a local authority may delegate to a committee or other subordinate decision-making body, or member or officer of the local authority any of its responsibilities, duties, or powers excepting the powers specified under paragraphs (a)-(f) of that sub-clause.

These delegated powers fall broadly in to three categories:

- Financial
- Warranted powers
- Statutory

Issues

Delegations Policy

The Policy focuses on two policy issues:

- Efficient and effective decision making
- Managing risk

The Policy contains information on:

Powers retained by Council

- Mayoral Powers under the LGA
- Powers delegated to Council committee's under its governance structure
- Powers delegated to Council's hearing commission under its governance structure
- Financial delegations
- Warranted Power appointments

- Statutory delegations (delegations where the highest risk has been initially assessed have been highlighted throughout the delegations document)

Amendments made to Delegations Policy and Register 2017 (adopted 8 February 2017) include:

- Committee and Hearings Commission delegations.
- Financial delegations - updated as per details supplied from HR on staffing changes.
- Warrant and Statutory - Keys amended to reflect staff tier levels and position titles updated/added.
- Statutory delegations – reviewed alongside legislative compliance checklist.

Delegations are currently being reviewed as a result of the legislative compliance checklist process, if required they will be included within the Delegations Policy and Register prior to being submitted to Council.

Analysis

Options considered

The Committee has the option of recommending to Council further amendments to the delegations.

Legal and statutory requirements

Details of the legislative framework have been set out above in this report.

Impact on Significance and Engagement Policy

This matter is not considered significant.

Timeframes

There are no timeframes, the delegations are expected to be updated as and when legislation is introduced or amended by central government.

Financial Impact

There are no funding costs/impacts of this process.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Vicky Oosthoek Corporate Strategy Administration Officer	
Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	

Audit and Risk Committee - Self Evaluation 2017

Trim No.: 1936110

Executive Summary

Each year as part of its work programme the Audit and Risk Committee completes a self-evaluation of its performance during the calendar year. This report provides information on the outcome of the self-evaluation and a report from the Committee Chair, Sir Dryden Spring. The results of the evaluation will be discussed at the Committee meeting.

Recommendation

That:

1. **The report and summary from the Committee Chair regarding the outcome of the self-evaluation be received.**

Content

Background

Each year as part of its work programme the Committee completes a self-evaluation of its performance during the calendar year.

The self-evaluation for 2017 involved a questionnaire, completed by the Committee members. These were then reviewed by the Committee Chair, who has provided further comments and recommendations as part of the evaluation process.

Issues

The Committee members were asked to complete the self-evaluation framework, the outcomes of this exercise are set out below in a report from the Committee Chair. The outcomes will be discussed at the Committee meeting.

Audit & Risk Committee Self Evaluation 2017 Chairman's Report

All members of the Audit & Risk Committee have been asked to complete the Questionnaire. The results are summarised below.

Audit & Risk Committee Self Evaluation Summary - October 2017

Number	Question	Score out of 5
1.	Responsibilities under the Committee's Charter are clearly articulated and understood.	
2.	The Audit Committee meets the duties/expectations set out in its Charter.	
3.	The role of the Audit Committee Chairman is clearly understood.	
4.	Members have an understanding of their role on the Committee.	

Item 6.6

5. Agenda topics are appropriate and the Audit Committee does not address issues that should be dealt with directly by the Board or another Committee.
6. The Committee has provided clarity on the escalation process for issues to be followed by management, the external auditor and Group Audit.
The Committee Chairman:
 - (a) Is a good communicator
 - (b) Builds trust
7.
 - (c) Encourages debate
 - (d) Builds consensus
 - (e) Fosters effective and efficient decision making.
8. The balance and mix of skills of the Committee is appropriate.
9. The Committee is sufficiently informed regarding audit and financial reporting (including regulatory) trends in the external environment which can affect the Council.
10. Sufficient special tutorial sessions are held to educate Committee members about complex audit and financial reporting (including regulatory) issues.
11. The Committee has sufficient resources available, both inside and outside the organisation, to allow it to carry out its function effectively.
12. The Committee understands the organisation's significant financial risks.
13. The Committee understands the control systems in place to mitigate the organisation's significant financial risks.
14. The Committee understands the Council's tax matters.
15. The Committee ensures adequate co-ordination of activities between internal and external audit.
16. The Audit Committee's annual plan is well understood.
17. The frequency of Audit Committee meetings is appropriate.
18. The duration of Audit Committee meetings is appropriate.
19. There is an appropriate balance between strategic, operational and governance agenda items.
20. Committee agendas cover the right issues in a timely way.
21. Committee papers are distributed to members with enough time for members to prepare for meetings.
22. Committee papers are clear and provide meaningful insight.
23. Conduct of meetings ensures open communication, meaningful participation and constructive dissent.
24. The Committees use of time is effective - the time available is mostly allocated to the most important issues and there is sufficient time allocated for a full discussion.
25. Enough time is allowed for discussion of more complex issues.
26. Committee members have adequate opportunities to share views with each other without management present.
27. The Committee makes efficient and effective decisions.

Further comments:

NB The Chairman did not complete the questions in 7

General comments:

Suggestions for improvement:

Attachments

There are no attachments for this report.

Signatories

Author(s)	Michelle Staines-Hawthorne Corporate Strategy Manager	
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Approved by	Don McLeod Chief Executive Officer	
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Update of Quality Internal Audits Completed to August 2017

Trim No.: 1934151

Executive Summary

As part of ISO 9001:2008 internal audits are scheduled throughout the year and allocated to our 18 internal auditors.

The Unit Managers have considered the “key risk areas” for their units which provide the basis for our internal audit schedule for 2017.

This calendar year 37 audits have been allocated to the 16 auditors. This doesn't include the 15 cash handling audits that are done by 2 auditors from the Finance and Business Services Team.

From May to August 2017 staff have completed 9 audits. The audits prior to May were reported at the last Audit & Risk Committee meeting.

From the completed audits there was 1 area of concern and 24 opportunities for improvement which have been recorded as corrective actions in the quality system and allocated to staff to complete.

Recommendation

That:

1. The information be received.

Content

Background

Our internal auditors use the following classifications for any issues they believe need addressing. These are:

- OI – Opportunity for Improvement. These are suggestions for things that could be considered. They are not mandatory.
- AOC – Area of Concern. These are major issues which require urgent attention.
- NC – Non Conformance. These are issues that are major and staff are not following the procedure. These issues are likely to have serious implications if left unresolved.

Below are those which had “Areas of Concern” or “Non Conformances” noted by the auditors.

Department	Procedure	AOC/NC
KVS - Waste Water	Person Falling into an Aerated Tank	AOC-1: One staff member appeared to have no idea that a process for this task existed.

Listed below is a copy of the Internal Audit schedule for 2017.

Department	Audit Scheduled	Month	Status
Customer Services	CRM - How to Log a CRM / Reminders and Escalations of CRMs	Feb-17	Completed
Facilities Operations - TA Spas	Power Failure at Te Aroha Mineral Spas	Feb-17	Completed
Animal Control	Wandering Dog	Mar-17	Completed
Assets - Strategy & Policy	Generating playground safety inspections	Mar-17	Completed
Kaimai Consultants	Setting up a Contract or SFA (Short Form Agreement) in Authority	Mar-17	Completed
Kaimai Valley Services	Te Aroha Water Resource Consent	Mar-17	Outstanding
Assets - Strategy & Policy	New Water Meter Process For Building and Resource Consents	Apr-17	Completed
Finance and Business Services	AP Payroll PAYE Payments	Apr-17	Completed
Kaimai Consultants	Insurance Claims Procedure (excluding vehicles)	Apr-17	Completed
Animal Control	Infringement Processing	May-17	Completed
Human Resources	PAYE reporting and payment to IRD - mid month/month end	May-17	Outstanding
Kaimai Consultants	Bacterial Testing and Result Reporting for Council Water Supplies	Jun-17	Completed
Kaimai Valley Services	KVS Request PPE	Jun-17	Completed
Planning - Health	Food Premises Health Licence New and Renewal	Jun-17	Completed
Customer Services	Customer Complaints Procedure and Guidelines	Jul-17	Completed
Kaimai Valley Services	Matamata Wastewater Treatment Plant Resource Consent	Jul-17	Completed
Records	Scanning Building Consents	Jul-17	Outstanding
Kaimai Valley Services - Wastewater	Person Falling Into An Aerated Tank	Aug-17	Completed
Libraries	Notices to Users - All libraries	Aug-17	Completed
Planning	Food Act 2014 Verification	Aug-17	Outstanding
Assets - Strategy & Policy	Assets - New play equipment - Installation and Asset Handover	Sep-17	Completed
Corporate Strategy	Annual Plan	Sep-17	
Finance and Business Services	Create a Purchase Order using Online Requisitioning (OLR)	Sep-17	
Information Technology	WebMap 6.1 Updates/Backup Restore SQL databases	Sep-17	Completed
Information Technology	Monthly Reviewing of System/Data Back Ups Procedure	Sep-17	
Communications	LGOIMA or OIA Request Management Overview	Oct-17	
Facilities Operations - Pools	Sodium Hypochlorite Safety Procedure	Oct-17	
Finance and Business Services	OLR/Purchasing - Business Process	Oct-17	
Kaimai Valley Services	Morrinsville Water Resource Consent	Oct-17	
Records	MPDC Information security and control	Oct-17	
Human Resources	Calculate ACC Liable	Nov-17	
Kaimai Consultants	Water Main Renewal (including procurement)	Nov-17	
Kaimai Valley Services - Water	Small Water Reticulation Repairs	Nov-17	
Libraries	How to deal with requests for information about library customers	Nov-17	
Animal Control	Maintaining Existing Records	Dec-17	
Kaimai Valley Services	Contract Management - Waihou Engineering	Dec-17	
Planning	Prepare and notify decision on proposed plan change	Dec-17	
Telarc SAI Audits	Twelve Monthly (Triennial Audit for 2017)	Oct-17	
Health and Safety	WSMP Internal Audit	Sep-17	

PROPOSED INTERNAL AUDITS TIMETABLE

Cash Handling - 2017

Site	Proposed Audit Date	Month	Status
Visa Credit Cards	Monthly		
Timesheets – KVS	Annually	Feb-17	
Firth Tower	Annually	Apr-17	
Matamata Recycling Centre	Annually	Apr-17	
Te Aroha Mineral Spas	Annually	May-17	
Te Aroha i-SITE	Annually	May-17	

Swim Zone Te Aroha	Annually	Jun-17
Swim Zone Matamata	Annually	Jun-17
Timesheets – Community Facs	Annually	Aug-17
Waihou Recycling Centre	Annually	Aug-17
Morrinsville Recycling Centre	Annually	Sep-17
Morrinsville Office	Bi-annually	Oct-17
Morrinsville Library	Bi-annually	Oct-17
Aerodrome	Annually	Nov-17
Swim Zone Morrinsville	Annually	Dec-17
Matamata Library	Bi-annually	Oct-18
Matamata Office	Bi-annually	Oct-18
Te Aroha Office	Bi-annually	Oct-18
Te Aroha Library	Bi-annually	Oct-18

Attachments

There are no attachments for this report.

Signatories

Author(s)	Raewyn Ellison Quality Coordinator	
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Approved by	Sandy Barnes Health & Safety/Quality Manager	
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Risk Policy Review

Trim No.: 1935238

Executive Summary

The Audit and Risk Committee has been reviewing risk management in the organisation.

The Risk Policy is identified as a pivotal document to reflect Council's approach to risk. This will then flow through to the Risk Framework, Risk Management Plan and Risk Action Plan.

A revised draft policy has been prepared following the guidelines of an Enterprise Risk Management framework.

It is recommended that a workshop is held to ensure that the revised policy appropriately reflects Council's attitude to risk

Recommendation

That:

1. **A workshop be held on the revised draft Risk Policy.**

Content

Background

The Chair of the Audit and Risk Committee requested further consideration of the risk management framework and plan.

The key questions raised were as follows:

- Is there a robust system for managing risk in place?
- Is the system operating effectively?
- Is the framework clear and universally understood?

Conclusions reached were

- There is considerable activity in risk management occurring in the organisation.
- There are numerous gaps and opportunities for improvement
- Risk management across the organisation or at an enterprise level, is not operating to the level and standard we desire.

The Committee approved the preparation of a Project Plan to action the improvements identified in this report and specifically to:

1. Review and Simplify the Risk Management Framework, Policy and Plan
2. Communicate and educate staff
3. Implement the changes and improvements

The review is following the principles of an Enterprise Risk Management (ERM) Framework:

An enterprise-wide approach to risk management enables an organisation to consider the potential impact of all types of risks on all processes, activities, stakeholders, products and services.”

Enterprise Risk Management referenced material from an article – *“A structured approach to Enterprise Risk Management and the requirements of ISO 31000”*.

The document was produced in 2010 by the following United Kingdom based organisations:

- The Association of Insurance and Risk Managers
- The Public Risk Management Association
- The Institute of Risk Management

The article makes reference to the Board Mandate and Commitment:

“Mandate and commitment from the Board is critically important and needs to be continuous and high-profile. Unless this mandate and commitment are forthcoming, the risk management initiative will be unsuccessful.”

The Risk Policy is the key document to communicate Council’s commitment and overall approach to the management of risk in the organisation.

It is considered important to review this policy first. Any changes will then flow through to the risk management plan, risk framework and risk action plan.

A revised draft policy has been prepared based on the guidance in the above article.

The draft also follows the Audit and Risk Committee’s principle that the policy should not include procedures.

The following table summarises how the current policy and revised draft address the ERM guidelines

A risk management policy should include the following sections:	Current Policy	Revised draft policy
Risk management and internal control objectives (governance)	Objectives included, no internal control objectives.	New objectives proposed.
Statement of the attitude of the organisation to risk (risk strategy)	Promote risk management as an integral part of the Council’s internal controls and corporate Governance. (Further expanded in the Risk Management Plan).	New section included in revised draft policy.

Description of the risk aware culture or control environment	Included under 2.1 Principles - in the Risk Management Plan	New section included in revised draft policy.
Level and nature of risk that is acceptable (risk appetite)	Not stated.	New section included in revised draft policy.
Risk management organisation and arrangements (risk architecture)	Included in Risk Management Plan	Reference made under Risk strategy. Propose to leave detail in the Risk Management Plan.
Details of procedures for risk recognition and ranking (risk assessment)	Included in Risk Management Plan.	Risk ranking or rating included in the Risk Policy and with appendix.
List of documentation for analysing and reporting risk (risk protocols)	Included in Risk Management Plan refer Policy statements and 2.4	Propose to leave in Risk Management Plan.
Risk mitigation requirements and control mechanisms (risk response)	Included in Risk Management Plan	Propose to leave in Risk Management Plan with the exception of the internal control objectives.
Allocation of risk management roles and responsibilities	Included in the policy.	Included in the revised draft policy.
Risk management training topics and priorities		Proposed to be included in the annual Risk Action Plan.
Criteria for monitoring and benchmarking of risks	Included in the Risk Management Plan.	Proposed to leave in the Risk Management Plan.
Allocation of appropriate resources to risk management		Responsibility assigned to the Chief Executive Officer.
Risk activities and risk priorities for the coming year	Risk Management Plan envisages this is the Risk Action Plan,	Proposed to include in the Risk Action Plan.

The revised policy is a “work-in-progress”.

We seek the Committee’s guidance on:

1. The revised format and draft content
2. Whether a workshop should be held with elected members to clarify risk appetite, tolerances and ratings.

Issues

The Policy is expected to set the tone for risk management in the organisation. It is desirable that when staff refer to the Policy it is possible to clearly understand Council's view on risk.

This will help ensure that management of risk is consistent across the organisation and aid decision making.

The following are new sections in the Policy:

- Risk Culture
- Risk Appetite
- Risk Tolerances

These sections have been worded to attempt to provide the desired clarity.

It is accepted that the approach may not reflect Council's view as we have not attempted to express these matters specifically before.

The Committee may consider it worthwhile to have a facilitated discussion on these topics.

The information included in the draft is intended to provide examples of how the appetite/tolerances might be defined in a local authority context.

Risk Ratings

The risk ratings were previously included in the Risk Management Plan. It was felt that these definitions warrant inclusion in the policy. The ratings are as per the current policy and it is considered important to ensure these reflect Council's attitude eg what constitutes a major risk

Risk Objectives

The Risk Management Plan will specifically address how each of the objectives will be achieved and monitored.

Risk Definitions

We have not included any definitions in the Policy for brevity.

Analysis

Options considered

1. Facilitated workshop with elected members to review risk appetite, risk tolerances and risk rating definitions.
2. Proceed with the definitions contained in the revised draft policy.

Analysis of preferred option

It is recommended that an independent person facilitate a workshop.

The most effective way of ensuring that staff are managing risk in accordance with Council's expectations, it for the expectations to be clearly stated.

It is felt that an independent qualified facilitator will ensure that the discussion will be comprehensive and robust.

Impact on Significance and Engagement Policy

The matter is not considered significant.

Timeframes

A workshop would be timetabled to allow the policy to be finalised for the next Audit and Risk Committee meeting in December.

Financial Impact

i. Cost

It is expected that a half-day work will cost approximately \$2,000.

ii. Funding Source

Corporate operations budget.

Attachments

- A. Risk management policy August 2015
- B. Revised Draft Risk Policy 2017 Version 1
- C. Appendix A Risk Rating

Signatories

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

Department: Corporate Project management
Policy Type and Number: Internal Policy
Council Resolution Date: (11th August 2010)
Policy reviewed: 17th August 2015

Introduction

The purpose of this policy is to support and promote risk management as an integral part of the Council's internal controls and corporate Governance.

The policy is based on ISO AS/NZS 31000:2009 and is supported by the Risk management Standard and framework of SNZ HB 4390:2000 Risk Management for Local Government. The policy also aligns with the requirements of the Council's Audit and Risk Committee.

Objectives

The following objectives form the framework for the Risk Management process by providing a framework which will:

- create and add value to decisions
- form an integral part of all organisational processes
- help guide good decision making
- explicitly address uncertainty
- be systematic, structured and timely
- be based on the best available information
- be tailored to the MPDC context
- consider human and cultural factors
- remain dynamic, iterative and responsive to change
- Support and contribute to continuous improvement

Policy

The Risk Management policy addresses the need to appropriately manage risk at all levels of the Council structure, including the implementation and maintenance processes and ensuring adequacy, effectiveness and efficiency of controls.

Effects and Risks

There are a number of affects resulting from this policy and the need to report to the E Team and Audit and Risk Committee on the workings of the process.

In addition the process for recording and monitoring the risks has now been changed from a manual spreadsheet system on Excel to a database system utilising the PROMAPP risk module.

The groups and positions involved in the process are

- Elected Members and Council
- Audit and Risk Committee
- Risk Management Coordinator
- Risk Forum
- The Chief Executive and Executive Management Team
- Management

- Staff

Elected Members and Council

Governance is the system of accountability to stakeholders and public whereby Elected Representatives ensure the principles and policies of the Local Authority are carried out and performance against these is measured. In accordance with this system Council has a significant role to play in ensuring the integrity and transparency of Risk Management and risk auditing at the highest level.

Risk Management Coordinator

This position supports the delivery of Risk Management Services to MPDC from within the Council structure.

The Risk Management Coordinator will:

- Provide a knowledge base for Risk management and identify good practice standards and guidelines.
- Manage the MPDC risk registers and report regularly to Council on the state of the Risk Management processes
- Coordinate the communications, training, education and initiatives for Risk Management across Council
- Facilitate Risk Management in terms of LTP, Annual Plan, Business Plans and programmes of work

It is not the responsibility of the Risk Management Coordinator to identify risks, or to manage mitigation of identified risks but to coordinate the work of those responsible.

Risk Forum

The Risk Management group or Forum provides a Strategic Monitoring role within the Council structure. The forum will be freestanding from other audit or H&S bodies.

For the Risk Management functions it would consider:

- Approval of Risk Management policies and programmes as a rolling programme over a period of years.
- Review of Risk Management programme
- Receiving Risk Management reports on the outcomes of the activities and comparison to the Risk Management programme
- Ensuring that
 - Internal review
 - Risk management strategies
 - Risk Management policies

Are established, in place, and current

Chief Executive and Executive Management Team

The Executive Management team:

- review the risk register at regular intervals to ensure MPDC processes are in compliance.
- Understand and support Risk Management and risk ownership as it affects their areas of responsibility.
- Ensure compliance with Risk Assessment procedures including reviewing of registers, development of risk activities and providing feedback for internal audit processes.
- Annual review the policy and risk registers for continued relevance and appropriateness.

Management

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

Each unit Manager is responsible for:

- Ensuring Risk Management is applied in their environment and maintaining their sections of the risk register accordingly.
- Promoting Risk Management to their staff
- Appointing risk owners
- Taking the required action to identify and disclose new risks and uncertainties.
- Working with Risk Management Coordinator to monitor, identify and report on risk through the appropriate mechanisms.

Staff

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

Each staff member is responsible for

- Participating in Risk Management through Health & Safety, Asset Management, Civil Defence, Emergency Management and Business Continuity procedures
- Taking prudent action to identify, evaluate, mitigate and manage Risks as appropriate.

Staff will be appointed as Risk Owners for specific risks within their area of responsibility. They will be responsible for ensuring that:

- Risk Information is kept up to date and relevant
- Ensuring mitigating action is carried out
- Reviewing risk and updating the risk registers.

Relevant Legislation

The policy is based on ISO AS/NZS 31000:2009 and supported by the Risk management Standard and framework as applied to local government. The policy also aligns with the requirements of the Council's Audit and Risk Committee.

Related Policies, Strategies or Guidelines

The role of Risk Management falls within a wider model which when applied in an integrated way provides Total Quality Assurance to the e-team and Council. Examples of specific activities that combine aspects of quality assurance and risk management are:

Activity and Asset Management Planning

allows for the review of external and internal risks, as incorporated into the Activity Plans.

Internal Audit

is responsible for the annual review of the effectiveness of Council's internal control systems. Internal Audit can identify gaps or performance improvement opportunities related to risk mitigation controls and strategies.

Business Continuity

Is the process whereby systems and procedures are put in place to ensure that if any risk eventuates the Council is able to respond to, and recover in the shortest time possible with minimal disruption to Council services.

Audience

Each risk owner is responsible for ensuring that risks identified and allocated to them are regularly monitored.

Monitoring of risk will form part of each Managers daily responsibilities.

In addition there will be requirements for Internal Audits and facilitated risk reviews associated with the work of the groups and forum.

A report on the overall Risk Profile for MPDC will be provided to the e-team on a quarterly basis and form the base of the report to Audit and Risk Committee.

Other reports on Risk Management will be produced as required.

Measurement and Review

The policy was reviewed and amended in August 2015 Into the present format and will be due for a further review in August 2018. The document will be reviewed by the Risk Coordinator or an appropriate person nominated by the coordinator to carry out the review

Authorisation

Authorised by: David Harris

Corporate Project Manager
Matamata-Piako District Council

Signed: _____
(Divisional Manager)

_____ (Department Manager)

Draft Risk Policy 2017

Department: Business Support

Policy Type: Internal policy

Version and date: Version 1, 25 September 2017

Introduction

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

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

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

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

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

Risk Culture

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

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

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

Risk Strategy

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

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

Objectives

1. Council will have a robust system for managing risks
2. Council will express and annually review its risk appetite as the basis for the evaluation and management of risks
3. The risk management framework will provide for :
 - The identification of risks
 - Consistent and appropriate evaluation of risks against Council's expressed risk appetite
 - Establishment of risk priorities
 - The management of risks at the appropriate level in the organisation
 - The identification and implementation of appropriate risk mitigation
4. Internal controls will:
 - Eliminate or reduce risks to a level that reflects Council's risk appetite
 - Be assessed to ensure they are cost effective
 - Be evaluated to help identify risk management improvements.
5. A risk action plan will be prepared annually specifying the proposed Risk Management improvements.
6. Review and reporting processes will:
 - Provide assurance that the risk management system is working effectively
 - Be structured to facilitate reporting on the achievement of objectives 1 to 5
 - Ensure risks are escalated to the appropriate level in the organisation when necessary
 - Alert management to areas of the organisation where risk management practices require attention

Risk Appetite

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

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

On an ongoing basis:

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

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

Risk Tolerances

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

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

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

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

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

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

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

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

Risk Rating

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

Risk Roles and Responsibilities.

Council shall:

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

The Audit and Risk Committee shall:

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

The Chief Executive officer shall:

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

Risk Management Sponsor

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

The Risk Management Sponsor will:

- Facilitate the integrated management of risk management across the organisation
- Identify strategies to build the risk aware culture in the organisation
- Provide a knowledge base for risk management and identify good practice standards and guidelines.
- Manage the Corporate risk register
- Report to the Chief Executive Officer on the state of risk management processes

- Prepare and report against the Risk Action Plan.
- Provide advice to the Quality Coordinator on the focus of the internal audit plan.
- Collate information and report to the Chief Executive Officer on the achievement of risk objectives
- Coordinate communications, training, education and risk management initiatives across Council

Executive Team Members

The Executive Team members will undertake a leadership role for risk management in the organisation and:

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

Management

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

Each unit Manager is responsible for:

- Ensuring risk management is applied in their environment and maintaining their sections of the risk register accordingly.
- Promoting risk management to their staff
- Appointing risk owners
- Taking the required action to identify and disclose new risks and uncertainties.
- Working with the Risk Management Sponsor to monitor, identify and report on risk through the appropriate mechanisms
- Submitting the highest risk processes for annual internal audit from their respective areas
- Promote a learning culture by encouraging the reporting and disclosure of successes or failures as an opportunity to improve

Health and Safety manager

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

Staff

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

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

Staff will be appointed as Risk Owners for specific risks within their area of responsibility. They will be responsible for ensuring that:

- Risk Information is kept up to date and relevant
- Ensuring mitigating action is carried out
- Reviewing risk and updating the risk registers.

Relevant Legislation

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

Related Policies, Strategies or Guidelines

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

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

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

Audience

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

Measurement and Review

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

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

Effects and Risks

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

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

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

Relevant Legislation

- Local Government Act 2002
- Health and Safety at Work Act 2015

Authorisation

Authorised by : Audit & Risk Committee

Signed: _____

Don McLeod - CEO

Manaia Te Wiata –
Group Manager Business Support

Appendix A Risk Impact Criteria

Risk Impact Criteria					
Rating	Catastrophic 5	Major 4	Significant 3	Moderate 2	Minor 1
Financial / Economic	Loss of \$10m or greater in any 12 month period	Loss \$5m to \$10m in any 12 month period	Loss \$1m to \$5m in any 12 month period	Loss \$250K to \$1m in any 12 month period	Loss less than \$250k in any 12 month period
Health & Safety	Loss of life. Event report and event investigation to Health & safety Executive	Serious harm event with 3 + months time off Serious harm event report and investigation submitted to Health & Safety Executive	Incident requiring significant medical attention and 2 weeks to 3 months time off. Event report and investigation to Health & Safety Executive	Incident requiring moderate medical attention and up to 2 weeks time off. Event report to Health & Safety Executive.	Minor incident, no medical attention needed. Event report to Health & Safety Executive
Human Resources	Permanent staff turnover exceeds 30% p.a.	Permanent staff turnover 25 to 30% p.a.	Permanent staff turnover 20 to 25% p.a.	Permanent staff turnover 15 to 20% p.a.	Permanent staff turnover of 10 to 15% p.a.
Legal	MPDC sued or fined in excess of \$5m	MPDC sued or fined between \$1m and \$5m	MPDC sued or fined between \$50k and \$1m	MPDC sued or fined between \$50k and \$250k	MPDC sued or fined less than \$50k
Reputation / Image	Insurmountable loss in community confidence Negative media coverage nationwide for more than 2 weeks Nationwide adverse political comment for more than 1 wk	Major loss in community confidence requiring substantial time to remedy Negative media coverage nationwide for up to 2 weeks Nationwide adverse political comments for several days	A manageable loss in community confidence Negative media coverage Nationwide for several days Regional adverse political comment for several days	Loss of confidence among sections of the community Negative media coverage nationwide for up to 2 days Local adverse political comment for 1 week	Negative reaction from individuals or local interest groups Negative regional media coverage for up to 2 days Local adverse political comment for several days
Operational	Substantial loss of operational capability for over 4 weeks. Serious disruption to strategic goals and LOS	Substantial loss of operational capability for 2 to 4 weeks. Serious disruption to strategic goals and LOS	Substantial loss of operational capability for 1 to 2 weeks. Serious disruption to strategic goals and LOS	Loss of operational capability in some areas Strategic goals and levels of service temporarily affected	Isolated loss of operational capability No affect on strategic goals and only temporary affect on level of service
Natural environment	Widespread irreversible damage to aquatic and/or Terrestrial ecosystems. Permanent loss of one or more species	Widespread long term reversible damage to aquatic and/or Terrestrial ecosystems. Significant reduction in one	Widespread medium term reversible damage to aquatic and/or Terrestrial ecosystems. Moderate reduction in one or	Localised minor reversible damage to aquatic and/or Terrestrial ecosystems. Temporary reduction to one species	Localised short term reversible damage to Aquatic and/or terrestrial Ecosystems. No identifiable reduction in

	or more species	more species		species
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Appendix A (Continued) Risk Likelihood and Rating Criteria

Likelihood Criteria

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






Risk Rating = Impact * Likelihood

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

Likelihood

Appendix A (continued) Overall Risk Rating matrix

Likelihood					
Almost certain (5)	Significant	Significant	Major	Catastrophic	Catastrophic
Likely (4)	Moderate	Significant	Major	Catastrophic	Catastrophic
Moderate chance (3)	Moderate	Significant	Significant	Major	Major
Possible (2)	Minor	Moderate	Significant	Significant	Major
Highly unlikely (1)	Minor	Minor	Moderate	Moderate	Significant
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Acute (5)
	Severity				

 	Catastrophic and Major	Risk treatment Strategies to be implemented by the Executive team and actions taken, reported to the Audit and Risk Committee and to Council for their confirmation
	Significant	Risk Treatment Strategies to be implemented by the Activity Managers and Departmental Heads and actions reported to the Executive Team
 	Moderate and Minor	Risks generally acceptable to be managed under the normal risk Identification and Control procedures

Specific Project Risk Management Review

Trim No.: 1933746

Executive Summary

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

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

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

Recommendation

That:

1. The information be received.

Content

Background

Matamata-Piako Civic and Memorial Centre

The Matamata-Piako Civic and Memorial Centre risk register is regularly reviewed and updated.

The top two risks previously reported were:

- Level of funding
- Construction timeline

The level of funding risk remains similar at this stage of the project. On the 8 February Council approved the appointment of Stanley Construction Ltd to build the new Matamata-Piako Civic and Memorial Centre at a tender price of \$5,488,787 and a total project budget of \$6,923,787 including contingencies. Approximately seventy-five percent of the construction contingency has been allocated, however steel frame and most of the roof is in place. It is not anticipated that there will be any high cost contract driven variations going forward.

The construction timeline remains a concern to both Architect and Project Manager. The contractors agree that their "float" in the programme has been effectively utilised but has worked hard to keep to deadlines. They have confirmed that they are on target to meet 22 January 2018 practical completion.

The construction risk register is available to the committee if required.

Mt Misery Reservoir

The Mt Misery reservoir risk log has been regularly updated since the start of construction in 2016. A copy is available if required. As construction of the reservoir is now complete the project risk has diminished substantially.

The two top risks remain:

- Financial
- Health and Safety

The financial risk has somewhat diminished as ninety five percent of the project is now complete. Problems associated with poor application of water proof membrane across infill construction joints has led to a significant delay. This is a cost risk to the contractor who is responsible for the defect. The wet weather throughout winter has resulted in the contractor not being able to complete the remaining ground work required. This has resulted in a delay in the construction of an access track and decommissioning of the old reservoir.

The health and safety construction risk has been replaced with operational health and safety risks. Process and procedures are being written on maintenance checks for radio telemetry equipment and access into the reservoir. Mitigation measures also include briefings on hazards and procedures for contractors and visitors to the site which will be reviewed on a regular basis.

Te Aroha to Matamata Cycleway

The risk log has been updated now that the project has progressed. All land acquisition matters in final stages of approval. Resource consents with Regional Council and MPDC have been granted. Detailed designs for bridges have been received and building consent for these structures has been issued. Final stage of KiwiRail approval is underway along with Deed of Grant application, approval in principal has been received.

There is one key risk remaining:

- Level of funding

Refinement of the costings has been completed and the development of the business case for Ministry funding is progressing.

The following table summarises the risks and mitigations for each project.

Risk	Mitigation
<u>Matamata-Piako Civic & Memorial Centre:</u> Level of Funding	Council will be kept updated on the budget spend and will consider optional variations that would have longer term benefits, e.g. sustainability initiatives
Contamination of land or discovery of artefacts during construction	Demolition is complete and foundations removed. No artefacts or taonga have been discovered. Excavations for new foundations are relatively shallow therefore there is minimal risk of uncovering any artefacts.
<u>Construction Timeline</u>	The original practical completion date of 22 December 2017 has been moved out to 22 January 2018. Client directed fitout will follow and at this stage opening of the new facility will be mid-March 2018.
<u>MT Misery:</u> Financial risk of budget blowout	Strong management of potential variations. Monthly financial updates. Design & build contract removes some risk to Principal. Tender price for construction was significantly under the initial funding provided for the project.
Operational Health & Safety	Specific process and procedure plans being compiled and documented. Contractors briefed

	on operational; hazards← and procedures. These will be reviewed on a regular basis.
<u>Te Aroha to Matamata Cycleway</u> Level of funding required – to secure MBIE funding. Currently have \$3m in budget and need to obtain rest from external sources like Ministry of Business Innovation and Employment	Design trail to align with MBIE criteria for ‘great ride’ so that it can qualify to receive funding. eg. break up big straights.
Easement over private land to secure route – Project could halt if land owner does not agree to easement or land purchase as not alternative route	Land owners agreement obtained prior to final commitment from Council to advance project to physical construction. Have now signed up all critical land owners apart from one property owners for which land purchase or easement is desirable.

Attachments

There are no attachments for this report.

Signatories

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Approved by	Fiona Vessey Group Manager Service Delivery	
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Progress on Review of Ecoli Detection in Water Supplies and Havelock North Enquiry

Trim No.: 1935315

Executive Summary

This report is to update the Audit and Risk Committee on work in progress on the recommendations in the Review of E.coli Detection in Water Supplies during 2016, and report by CH2M Beca on an initial self-assessment against the main findings from the Report on Havelock North Drinking Water Enquiry: Stage 1.

Review of E.coli Detection in Water Supplies During 2016

The E.coli report has twenty three recommendations that have been considered, prioritised and is now work in progress. A colour coded system is being used to indicate progress on the work to date (numbers in brackets from last update).

Green (Completed): 9 [2] have been completed, of which 6 were identified as high priority. Most related to incident management, sampling and reticulation.

Red (Not Started): 3 [5] have not yet begun as they are dependent on other recommendations or are low priority. They will be reviewed as part of the program of works but are expected to be completed by December 2017.

Blue (Started): 8 [11] recommendations are underway. Most are high priority actions related to implementing reticulation procedures and updating the Water Safety Plans (WSP's). Timeframes for completion range from end of October to December 2017.

Orange (Ongoing): 3 [5] recommendations have been started and span more than a financial year. They relate to staff competency, training and installing ultraviolet disinfection to the Te Aroha West water supply.

The recommendations are continuing to be worked upon with an expected completion of most actions by December 2017. It is surmised that more actions will be added upon completion of the Havelock North Inquiry: Stage 2.

Report on Havelock North Drinking Water Enquiry: Stage 1

The process of self-assessment against the Havelock North Drinking Water Enquiry reviewed over 100 aspects across 11 key categories, and uses a colour coding system to indicate the level of confidence:

Green: 45 aspects exhibit a high level of confidence in current processes, procedures and practices to mitigate against a Havelock North type of event.

Amber: 27 aspects are subject to ongoing works or further investigations.

Red: 16 aspects reflect low confidence levels and are identified priorities for investigation.

White: 23 aspects have not been previously been considered and yet to be assessed.

The next stage of the process is to develop an action plan around the prioritised items, assign action owners and timeframes for delivery.

Recommendation

That:

1. The report be received

Content

Background

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

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

Upon the release of the Havelock North report, the Audit and Risk Committee requested a line by line analysis of the issues identified by the Inquiry; Council's circumstances in relation to the issues and how we plan to deal with any weaknesses. The methodology chosen was a self-assessment of key aspects used to determine confidence with Council's policies, procedures and processes. It provides an overview of where focus is required and will be used to prioritise actions going forward to address weaknesses in the end, and to end management of our drinking water supply service. Some of the issues identified as part of this process were also raised in the CH2m Beca report.

This report updates the Audit and Risk Committee on progress on the E.coli report and the self-assessment actions since the last report in June 2017. It also updates the committee on the Government Inquiry for Havelock North Stage 2 and the announcement of the Government Review on the Three Water Services.

Issues

The following tables provide a high level summary of work in progress from the E.coli Report and initial self-assessment of confidence with policies, procedures and processes.

Table 1: CH2M Beca Recommendations Update

High Level Aspect					Comment
	Not Started	Started	On-Going	Completed	
Plans, Policies and Procedures	0	1	0	0	OPUS consultants undertaking review of emergency response plan.
Water Safety Plans	1	4	0	0	Note: 1 item not started dependent upon completion of WSP's.
Reticulation	0	2	0	2	Review of processes completed and implementation nearly complete.
Staff Competence and Training	0	1	2	0	All mainly relate to completion of LTO system.
Sampling and Testing	1	1	0	3	Note: 1 of the not started of low priority and dependent upon completion of reticulation procedures.
Incident Management	0	0	0	4	All completed.
Post Treatment Processes	0	0	1	0	Upgrades of Waihou and Te Aroha West water supplies completed. Plant Operation and Maintenance Manuals to be done.
Summary Tally	2	9	3	9	

A full copy of the Report of the Havelock North Drinking Water Inquiry: Stage 1 can be found at the Department of Internal Affairs website at <https://www.dia.govt.nz/Government-Inquiry-into-Havelock-North-Drinking-Water#Report-1>

Stage 2 is now underway and addresses systemic issues. It will provide recommendations on managing water supplies across New Zealand. The Terms of Reference for Stage 2 includes 23 issues that examine existing statutory and regulatory regimes for delivering drinking-water to see if improvements can be made. Stage 2 is expected by 8 December 2017. A full copy of the List of Issues for Stage 2 of the inquiry can be found at: <https://www.dia.govt.nz/List-of-issues-for-Stage-Two>

There are also a large number of useful Fact Papers that have been submitted as part of the inquiry process. A full copy of the Stage 2 Fact Papers can be found at: <https://www.dia.govt.nz/Stage-Two-Fact-Papers>

Table 2: Havelock North Drinking Water Inquiry: Stage 1 Self-Assessment

High Level Aspect	Self-Assessment				Comment
	Red	Amber	Green	White	
Water Supply Governance	3	3	2	11	Note the 11 still to be assessed related to specific elements of the Havelock report and could not be confirmed without further work outside of the workshop.
Key Stakeholder Relationships (WRC, DHB etc.)	1	2	3		Key relationships to be strengthened with District Health Board, Regional Council and the Drinking Water Assessor
Staff Competence and Training	0	2	5		Risk training for treatment staff and qualification attainment for new Reticulation staff recently employed.
Contractors competence and Training	2	0	1		Main concerns are with smaller contractors / subcontractors and how competence to work on MPDC water supply system is captured and recorded.
Bore Security / Management	5	2	5		Tawari Street a priority site for review, catchments for bores to be reviewed and discussed with WRC.
Asset Data and Information				12	Due to available time this aspect was deferred to a later date.
Safety Plans (Drinking Water)	2	8	2		Key issues to focus on are: Backflow Prevention Policy and compiling a list of sensitive / high priority users.
Treatment Processes	0	3	6		Note this focussed on the main plants with ongoing works being noted for Waihou Depot and Te Aroha West.
Post Treatment Processes	1	3	4		Key issue to address is the management of high risk activities on the piped network.
Sampling	1	1	16		Previous works undertaken as part of the E.coli Review. Key action is to review the need for Cryptosporidium sampling on bores.
Incident Management	1	5	3		Urgent need to brief the Reticulation Teams and Plant Operators on the outcomes of the Stage 1 report.
Summary Tally	16	27	45	23	

In addition to the Havelock North inquiry, the Government has also announced a review of Three Waters Services which is to focus on Compliance and Monitoring, Financial Incentives and Asset Management Practices. Stage 1 of this review is underway and expected to be complete in November 2017. Stage 2 of the three waters review – Options Development and Assessment begins mid December 2017 and will obviously incorporate the Havelock North Stage 2 recommendations due 8 December 2017. Stage 3 of the three waters review – Confirm Recommendations begins in March 2018 with a proposed end date of 30 May 2018.

Analysis

Options considered

Update of E.coli Detection in Water Supplies Report Actions

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

The report updates of the 7 categories are:

- Water Safety Plans (WSP's): OPUS consultants are in the stage of reviewing and updating the plans. It is expected to be completed by the end of October. The updating of the asset management and LTP budgets have not begun as they are dependent upon the completion of the WSP's.
- Reticulation: Identified as a high priority category the review of the policies, procedures and practices has progressed and is 90% complete.
- Staff Competence and Training: All 3 actions were prioritised as low-medium risks. 2 of the actions are on-going as they relate to the completion of the licence to operate (LTO) system. The simulation exercises for gross water pollution have not begun, as it is dependent upon completion of the reticulation actions above.
- Sampling and Testing: 3 of the 4 high priority actions have been completed. The other high priority action of replacing and relocation the sample taps is due for completion in December.
- Incident Management: All actions within this category have been completed.
- Post Treatment Processes: Te Aroha West and the Waihou KVS Depot have had UV disinfection units installed and they are now operating. This will add a level of protection against pathogenic microorganisms. It is still on-going as a catchment survey needs to be completed for the Waihou KVS Depot water supply.

Of the ten actions identified as a high priority risk of E.coli contamination, 6 have been completed and 4 are on-going or have been started.

Of the 23 actions, 3 low-medium risk actions have not started as they are dependent upon completion of others. The recommendations are being started with the strategic approach of concentrating the high priority actions first, with the target completion of 95% by December 2017.

Self-Assessment Havelock North Drinking Water Inquiry: Stage 1 Report

The self-assessment represents an initial view of where we are in relation to the findings in the Report on the Havelock Drinking Water Inquiry: Stage 1. The following areas for improvement are in progress:

- Understanding, defining and recording governance accountabilities both inside and outside of the organisation.
- Building relationships outside of the organisation with the Waikato Regional Council (WRC), District Health Board (DHB) and the Drinking Water Assessor (DWA).
- Re-assessment of what is known and recorded in terms of the water supply (bore and surface water) catchments.

- A need to update and strengthen safety plans, and incident management processes and procedures in light of the Havelock North incident.

The process of formulating action plans around the Stage 1 self-assessment, assigning owners and delivery dates is in progress and evolving as information from the inquiry becomes known.

On the 31 July 2017, a meeting was held with representatives of Territorial Authorities, the Waikato Regional Council and the District Health Board to discuss the findings of the Inquiry to date, and consider opportunities to better work together.

Outcomes from the meeting included:

- Seeking to ensure there is an appropriate regional liaison forum to address matters relating to drinking water supplies. There are a number of existing forums and the potential for duplication and/or risk of issues falling through the cracks. An action has been assigned to confirm the Terms of Reference of the various groups and close any identified gaps.
- Undertaking a stocktake of what data is available (i.e. data held within the science directorate of WRC and NIWA), along with an analysis of what is needed to best enable catchment risk assessments to be undertaken.
- Looking for opportunities to improve data exchange between the various agencies, i.e. providing an effective data/information transfer/sharing protocol between the agencies so that they can make informed decisions.
- Reviewing how existing and new bores are currently recorded, managed and monitored.

While there are currently well-established communication lines between all agencies, there are certainly opportunities to improve and formalise those existing relationships.

On the 18 August 2017, staff met with the District Health Board and the key messages were:

- increased responsibilities for Council when entering, transferring and validating data into Water Online (the Ministry of Health compliance system)
- higher levels of automation with computers/technology taking over the reporting with less potential for human error and intervention
- secure bore status is questionable and going forward treatment of bores is likely to be a better option than trying to establish a secure bores status
- John Hatfield (Waikato Regional Council) is the expert in terms of information on the security of groundwater
- Identified Water Supply risks need to be formally reported to Council
- Water Safety Plans need to be comprehensive living documents
- Drinking Water Assessors will be applying the rules as prescribed

Work on both the E.coli detection recommendations and self-assessment against the Havelock North Enquiry report is progressing. The implications of recent events has resulted in a heightened awareness and urgency to ensure we can confidently say and demonstrate that we are doing all we can to provide the community with safe drinking water.

The implications of the Government Inquiry on Havelock North and Review of Three Water Services are not yet clear as they have some months yet before they are due to report back. However, it is likely that there will be wide sweeping implications and in the not too distant future. Havelock North was a significant recent event it but it was not the only one. Three Waters Services are lifeline utilities and failures of the services have significant implications to our communities.

Attachments

There are no attachments for this report.

Signatories

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