



**I give notice that
an Audit & Risk Committee Meeting will be held on:**

Date:	Monday, 30 October 2017
Time:	10.00am
Location:	East Wing Great Lake Centre 5 Story Place Taupō

AGENDA

MEMBERSHIP

Chairperson Mr Anthony Byett
Deputy Chairperson Cr Barry Hickling

Members Mayor David Trewavas
Cr Rosie Harvey
Cr Rosanne Jollands
Cr Anna Park
Vacancy

Quorum 4

Gareth Green
Chief Executive Officer

Order Of Business

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3.1 AUDIT & RISK COMMITTEE MEETING - 17 JULY 2017

Author: Tina Jakes, Democracy & Community Engagement Manager

Authorised by: Brian Fox, Group Manager: Corporate and Community

RECOMMENDATION(S)

That the minutes of the Audit & Risk Committee meeting held on Monday 17 July 2017 be confirmed as a true and correct record.

ATTACHMENTS

1. **Audit & Risk Committee Meeting Minutes - 17 July 2017** 

4.1 DRINKING WATER REVIEW POST HAVELOCK NORTH

Author: Denis Lewis, Infrastructure Manager

Authorised by: Kevin Strongman, Group Manager, Operational Services

PURPOSE

The Audit and Risk committee has sought a report on actions taken post the Havelock North incident to ensure the risks of similar circumstances affecting our water supplies are minimised.

DISCUSSION

It is worth noting that all of Council's supplies are chlorinated and have continuous monitoring for chlorine residual except for the Centennial irrigation supply. Turbidity is also monitored. The monitoring enables alarm notification to operators if parameters are exceeded so that the appropriate action can be taken. Chlorine provides protection against bacteria but not protozoa. Only three of the supplies have protozoa protection: Taupō, Turangi and Mangakino.

Immediately post the event the operations team undertook a review of all bore water supplies confirming that all bore heads had appropriate protection and controls in place and no physical works were required to further improve bore head protection. Though this does not mean they are without risk.

The operations team have increased routine inspections of bore heads from monthly to weekly and those inspections are more thorough. The results of all inspections are documented on the weekly check sheets.

All other supplies were reviewed for risks associated with high turbidity events/possible contamination and implement mitigation measures.

Hatepe has a shallow lake intake that is subject to frequent high turbidity events caused by wave action stirring up the lakebed and discharge from the nearby stream. There is a lack of chlorine contact time before water reaches network therefore bacterial disinfection may not be adequate. A chlorine contact tank is in the process of being commissioned and will provide the chlorine contact time required. High turbidity remains a problem and as with other supplies, there is no protozoa barrier. A complete upgrade of the treatment plant will be required to address these risks. Hatepe WTP upgrade is programmed in the 2015 LTP for 2023/24.

The Tirohanga supply is a rural supply that requires connected users to have 24 hours of storage. The water source is from a spring which also suffers from frequent high turbidity due to overland flow from neighbouring farms and forestry contaminating the supply after heavy rain. When turbidity rises from such events, the supply is taken off line; however, there can be a delay in achieving this it takes some time to reach the site. Our operations team is currently investigating options for improving the intake structure to minimise the impacts of such events. We will also be reviewing the catchment risk plan for this supply on advice from the drinking water assessor. Tirohanga WTP upgrade is not within the current 2015 LTP.

There are also occasional high turbidity events at Omori during rough lake conditions. There has been instances where the ability to supply clean water during an extended rough lake period has been at risk. Supplying turbid water with a boil water notice has been considered in these events but has not yet been required. Omori WTP upgrade is scheduled in the 2015 LTP for 2021/22.

There is protozoa contamination risk at all other sites where the protozoa protection is not provided.

Our senior monitoring and compliance officer has reviewed all procedures relating to E.coli detection and testing regimes. The test method for the detection of E.coli has been changed to an enumerated method at supplies identified as high risk due to source and distance from Taupō (e.g. Hatepe). The laboratory now undertakes same day response testing for all transgression samples.

A review has also been undertaken of procedures relating to the confirmed detection of the presence of E.coli including boil water notice actions. The reviewed boil water notice procedure is currently in draft form awaiting comment from wider team. This will be completed in the next couple of weeks.

Staff in both the treatment/network and asset management teams are regularly attending workshops and forums hosted by organisations such as regional councils and Water New Zealand on the drinking water

standards and the outcomes of the Havelock North enquiry. Information gained at these events is being further disseminated to the wider teams.

We have also facilitated a workshop on the drinking water standards and the outcomes/implications of the enquiry into the Havelock North incident by Jim Graham of Opus Consultants who has been actively engaged this area of the water industry for many years with both Council, TDC staff and our neighbours.

Council has water safety plans and catchment risk assessment for all of its supplies. The table below shows the status of both types of plans and their currency. Included within this review process is the approval of the water safety plan by the Drink Water Assessor.

Scheme	Water Safety Plans			Catchment Risk Assessment		
	Date Issu	Due da	Status	CRA Da	Due da	Status
River Road	24/03/2013	24/03/2018	OK	7/12/2015	7/12/2020	OK
Bonshaw Park	23/04/2013	23/04/2018	OK	7/12/2015	7/12/2020	OK
Motutere	29/04/2013	29/04/2018	OK	7/12/2015	7/12/2020	OK
Whakamaru	30/04/2013	30/04/2018	OK	8/12/2015	8/12/2020	OK
Whakamoenga Point	30/04/2013	30/04/2018	OK	8/12/2015	8/12/2020	OK
Wiahaha	13/05/2013	13/05/2018	OK	8/12/2015	8/12/2020	OK
Whareroa	4/06/2013	4/06/2018	OK	8/12/2015	8/12/2020	OK
Centennial	6/06/2013	6/06/2018	OK	7/12/2015	7/12/2020	OK
Tirohanga	26/06/2013	26/06/2018	OK	8/12/2015	8/12/2020	OK
Waitahanui	5/12/2013	5/12/2018	OK	30/12/2013	30/12/2018	OK
Hatepe	26/08/2015	26/08/2020	OK	26/08/2015	26/08/2020	OK
Kinloch	28/08/2015	28/08/2020	OK	28/11/2012	28/11/2017	OK
Acacia Bay	2/09/2015	2/09/2020	OK	26/08/2015	26/08/2020	OK
Mangakino	2/09/2015	2/09/2020	OK	26/08/2015	26/08/2020	OK
Omori	2/09/2015	2/09/2020	OK	3/09/2015	3/09/2020	OK
Turangi	2/09/2015	2/09/2020	OK	3/09/2015	3/09/2020	OK
Taupo	22/09/2015	22/09/2020	OK	-	-	not required
Motuoapa	22/09/2015	22/09/2020	OK	28/11/2012	28/11/2017	OK
Atiamuri	20/05/2016	20/05/2021	OK	8/12/2015	8/12/2020	OK

An area that has been identified as a risk to Council and requiring further work is backflow prevention. Back flow prevention is required under the Health Act and Building Act.

Taupō District Council's Code of Practice requires that all commercial, industrial, low-density residential and rural connections be required to have testable backflow prevention devices installed. Where these are installed, annual inspections are required.

Backflow devices required under the building regulations are the building owners' responsibility and are subject to an annual WoF; evidence of testing back flow preventers is part of that process. This process deals with the high risk sites and relies on the property owner undertaking the testing and certifying compliance through the WOF process.

Backflow devices at the point of supply (toby) are installed to protect the water supply network from contamination.

All residential properties have non-testable single check service connections. Commercial and rural properties are required to have testable double check devices. Devices are being upgraded when changes occur to the activity on the site (through the building consent process) and/or if there is a fault with the existing connection and replacement is required.

There is a mix of devices within our networks including new devices that meet our backflow requirements (double check) and some older devices (likely single check and not testable). We need to develop a backflow policy so that we better identify and manage backflow risks.

An area we need to improve is the testing of backflow devices located on property boundaries that are owned by council. This is a requirement of the Health Act.

We have completed a survey of all high-risk council sites such as wastewater treatment plants and pump stations, to update our records and to ensure all of these connections have the appropriate backflow device. Where inadequate we will install appropriate devices. A program of testing of these devices is being developed and will commence shortly.

On 10 October 2017 members of the TDC building and infrastructure team had a workshop with Graeme Mills (Tauranga CC), a leading expert on backflow protection. Graeme shared some of his knowledge and outlined what the responsibilities of Council are in this area.

CONCLUSION

Council staff have undertaken a review of both supplies and procedures in light of the water contamination event in Havelock North and implemented improvements as appropriate.

Drinking water standards compliance and improvement in the area of backflow protection is required. Some of those improvements are subject to approval of funding in the 2018 LTP.

Staff continue to have a watching brief on developments arising from the enquiry into the event.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the report 'Drinking Water Review Post Havelock North'.

ATTACHMENTS

Nil

4.2 SIX MONTHLY REVIEW OF SENSITIVE EXPENDITURE

Author: Jamie Dale, Risk Manager

Authorised by: Brian Fox, Group Manager: Corporate and Community

PURPOSE

To update elected members on the findings of the Sensitive Expenditure policy compliance review and highlight any areas for improvement.

EXECUTIVE SUMMARY

The current Sensitive Expenditure Policy was adopted by Council on 28 July 2015. As agreed with Audit NZ, 6 monthly reviews of the Council's compliance with this policy are being undertaken.

This report is a governance summary of a compliance review of the policy for the 6 months period from 01 January 2017 to 30 June 2017.

This is the second report for the 2016-17 financial year and covers the second half of the financial year.

As in previous reviews, the review process and methodology has been undertaken after discussion with Council's external auditors Audit NZ.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the information in the Sensitive Expenditure Report (A2056099) for the period 01 January 2017 to 30 June 2017.

BACKGROUND

In 2012 Audit NZ raised matters relating to formal internal reviews of sensitive expenditure in its end of year management letter. Council management agreed with the points raised by Audit NZ and in conjunction with them developed a methodology for undertaking such reviews.

This compliance review for the period 01 January 2017 to 30 June 2017 considered all expenditure and reimbursements authorised by staff in "sensitive positions" and all purchases made by credit card by the Taupō District Council.

CONSIDERATIONS**Financial Considerations**

The review process fits within the Committee's overall terms of reference and the Sensitive Expenditure policy requirements and there is no financial impact associated with the proposal.

Legal Considerations

None.

Policy Implications

There are no known policy implications.

Risks

Council's risks in this are minimised because of this compliance audit of sensitive expenditure and recommendations.

SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement policy identifies the following matters that are to be taken into account when assessing the degree of significance of proposals and decisions:

- a. The level of financial consequences of the proposal or decision;

- b. Whether the proposal or decision will affect a large portion of the community or community of interest;
- c. The likely impact on present and future interests of the community, recognising Maori cultural values and their relationship to land and water;
- d. Whether the proposal affects the level of service of an activity identified in the Long Term Plan;
- e. Whether community interest is high; and
- f. The capacity of Council to perform its role and the financial and other costs of doing so.

Officers have undertaken a rounded assessment of the matters in clause 11 of the Significance and Engagement Policy (2016), and are of the opinion that the proposal under consideration is of low importance.

ENGAGEMENT

Taking into consideration the above assessment, that the decision is of a low degree of significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

COMMUNICATION/MEDIA

No communication/media is required. Review findings will be communicated to Audit NZ and detailed working papers will be available for their perusal during their annual audit as has been the case previously.

CONCLUSION

The ongoing reviews of sensitive expenditure will aid Council's overall risk management profile and is entirely in keeping with the Risk Management Charter 2013 adopted by the Committee.

ATTACHMENTS

1. Sensitive Expenditure Report September 2017 (A2056099) 

4.3 SENSITIVE EXPENDITURE POLICY REVIEW

Author: Jamie Dale, Risk Manager

Authorised by: Brian Fox, Group Manager: Corporate and Community

PURPOSE

The purpose of this agenda item is for the Audit and Risk Committee's to review, and consider proposed changes to the current Risk Management Charter.

RECOMMENDATION(S)

That the Audit & Risk Committee adopts the proposed improvements and changes to the current Sensitive Expenditure Policy.

BACKGROUND

The Sensitive Expenditure Policy was adopted by the Council in 2011, was reviewed in 2015 and is due for its next review in 2018.

Reviews of sensitive expenditure covered by this policy have been completed every six months and the results reported back to the Audit and Risk Committee.

More recent reviews of sensitive expenditure have identified reoccurring areas where there has been inconsistent application of the policy and it is a good time to review the current policy and tighten up and clarify the areas of the policy where these inconsistencies are occurring.

DISCUSSION

Recent reviews of sensitive expenditure have highlighted inconsistencies in sensitive expenditure relating to meals/food and refreshments, the use of taxis, shuttles and buses and the use of private vehicles.

The current policy is silent on providing or reimbursing meals/food and refreshments for travel that does not include overnight accommodation and the assessment of what is considered appropriate, moderate and conservative has been left up to individuals to determine for themselves which has resulted in the variations encountered.

The policy's coverage of taxis, shuttles and buses is somewhat outdated and does not reflect that the intention is that the option used needs to be the most effective and efficient in the circumstances.

While not involving Council expenditure, the receiving of gifts is noted as a sensitive area and the policy requires the recording of gifts received with an estimated value of over \$100.00. However the policy does not require the recording of gifts given by the Council which would be classed as sensitive expenditure by the Council.

Based on this information it is considered that it is an appropriate time to review and update the Sensitive Expenditure Policy and provide greater guidance around these areas of expenditure and tidy up other areas where they are now covered by other policies and procedures.

CONSIDERATIONS**Financial Considerations**

The financial impact of the proposal is estimated to be \$Nil and covered by existing operational budgets.

Long-term Plan/Annual Plan

The expenditure outlined is currently budgeted for undercurrent operational budgets.

Legal ConsiderationsLocal Government Act 2002

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of Section 10 of the Local Government Act 2002. The matter will enable the Council to meet the current and future needs of communities for good quality local public services. (i.e. efficient, effective and appropriate to present and anticipated future circumstances).

Policy Implications

There are no known policy implications.

Risks

There are no known risks and the policy will reduce risks relating to sensitive expenditure.

SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement policy identifies the following matters that are to be taken into account when assessing the degree of significance of proposals and decisions:

- a. The level of financial consequences of the proposal or decision;
- b. Whether the proposal or decision will affect a large portion of the community or community of interest;
- c. The likely impact on present and future interests of the community, recognising Maori cultural values and their relationship to land and water;
- d. Whether the proposal affects the level of service of an activity identified in the Long Term Plan;
- e. Whether community interest is high; and
- f. The capacity of Council to perform its role and the financial and other costs of doing so.

Officers have undertaken a rounded assessment of the matters in clause 11 of the Significance and Engagement Policy (2016), and are of the opinion that the proposal under consideration is of low importance.

ENGAGEMENT

Taking into consideration the above assessment, that the decision is of a low degree of significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

COMMUNICATION/MEDIA

No communication/media is required.

CONCLUSION

Reviews of sensitive expenditure have identified areas of expenditure that repeatedly encounter variations in what is considered moderate, conservative and appropriate by staff. Discussions with the Senior Leadership Group have identified some possible improvements in the current policy to provide greater guidance and clarity in the areas of concerns. Combined with some improvements to procedures, these changes are expected to provide a more consistent and better outcome.

ATTACHMENTS

1. Draft Updated Sensitive Expenditure Policy 2017 

4.4 REVIEW OF RISK MANAGEMENT CHARTER

Author: Jamie Dale, Risk Manager
Authorised by: Brian Fox, Group Manager: Corporate and Community

PURPOSE

To receive and approve the proposed updated Risk Management Charter that is due for its annual review.

EXECUTIVE SUMMARY

The current Risk Management Charter is due for review. A review of the Charter has been completed and an updated Charter has been created that incorporates recommendations from Pricewaterhouse Coopers who completed a review of the existing Charter.

The updated Charter is attached for the Committee to review and consider for adoption.

RECOMMENDATION(S)
 That the Audit & Risk Committee adopts the proposed updated Risk Management Charter.

BACKGROUND

The current Risk Management Charter requires the charter to be reviewed on an annual basis by Council’s Audit & Risk Committee.

The review commenced in March this year with resolution AR201703/08 directing officers to bring an amended Risk Management Charter to the next Committee meeting for consideration.

Pricewaterhouse Coopers were engaged to undertake a review of the Charter and their report was presented to and received by the Committee in July this year. This report identified a number of areas where the current Charter could be improved and Committee resolved by Resolution AR201707/04 to incorporate Pricewaterhouse Coopers recommendations into the Charter.

DISCUSSION

The Pricewaterhouse Coopers recommendations have been included into the proposed updated Risk Management Charter and some formatting changes have been made to accommodate these changes.

The proposed changes to the current charter are summarised as follows:

<u>Current Risk Charter</u>	<u>Updated Risk Charter</u>	<u>Change Description</u>
1 Context	1 Context	Retained existing.
2 Policy And Objectives	2 Definitions	Recommendation 1. PWC review of risk management. Definitions of common terms added.
3 Strategy	3 Policy And Objectives	Incorporated recommendation 2 of PWC review of risk management. Expanded existing charter to more clearly define policy and objectives.
4 Scope	4 Risk Management Methodology	Incorporated recommendation 2 of PWC review of risk management. Scope covered elsewhere in charter. Methodology outlined to provide consistency across organisation. 4-stage cycle is consistent with As/NZS ISO 3100 but is simpler and easier to understand and implement.

5	Commitment	5	Council's Appetite For Risk	Retained existing and added more explanation to clarify appetite.
6	Appetite For Risk	6	Roles And Responsibilities For Risk Management	Recommendation 1. PWC review of risk management. Spells out clearly the roles of all parties involved in risk management including contractors. Links in with H&S requirements as well. Reinforces that risk management across all levels is an expected and not optional.
7	Resourcing	7	Resourcing	Retained existing.
8	Monitoring And Review	8	Monitoring And Review	Expanded existing to continue on from recommendation 2 and further define the risk management framework and clarify what actions will be taken to ensure risk management is monitored and reviewed effectively.
9	Authority	9	Authority	Retained existing.
		10	Review of Risk Management Charter	Retained existing but brought into own category to ensure it is not overlooked.

The proposed updated Risk Management Charter is attached for the Committee's consideration.

CONSIDERATIONS

Financial Considerations

The financial impact of the proposal is estimated to be \$0 (Nil)

Long-term Plan/Annual Plan

The expenditure outlined is currently budgeted for under existing operational costs

Legal Considerations

Local Government Act 2002

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of Section 10 of the Local Government Act 2002. The matter will enable the Council to meet the current and future needs of communities for good quality local public services. (i.e. efficient, effective and appropriate to present and anticipated future circumstances).

Authorisations are not required from external parties.

Policy Implications

There are no known policy implications.

Risks

There are no known risks. The Risk Management Charter provides the framework for implementing and maintaining a Risk Management system that reflects best practice and ensures that sound risk management practices are incorporated into Council's planning and decision making processes.

SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement policy identifies the following matters that are to be taken into account when assessing the degree of significance of proposals and decisions:

- a. The level of financial consequences of the proposal or decision;

- b. Whether the proposal or decision will affect a large portion of the community or community of interest;
- c. The likely impact on present and future interests of the community, recognising Maori cultural values and their relationship to land and water;
- d. Whether the proposal affects the level of service of an activity identified in the Long Term Plan;
- e. Whether community interest is high; and
- f. The capacity of Council to perform its role and the financial and other costs of doing so.

Officers have undertaken a rounded assessment of the matters in clause 11 of the Significance and Engagement Policy (2016), and are of the opinion that the proposal under consideration is of low importance.

ENGAGEMENT

Taking into consideration the above assessment, that the decision is of a low degree of significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

COMMUNICATION/MEDIA

No communication/media is required.

CONCLUSION

The Pricewaterhouse Coopers review of and report on the existing Risk Management Charter did not identify any significant deficiencies in the current charter but did identify some areas where improvements could be made. Discussion with the report's authors allowed staff to ensure that the proposed changes to the existing Charter were consistent with their recommendations.

These recommendations have been incorporated into the proposed updated Charter for the Committee to review and consider for approval.

ATTACHMENTS

1. Proposed Updated Risk Management Charter 2017 

4.5 AUDIT & RISK COMMITTEE SCHEDULE OF POLICIES FOR REVIEW

Author: Brian Fox, Group Manager: Corporate and Community

Authorised by: Gareth Green, Chief Executive Officer

PURPOSE

To receive a Schedule of Policies regularly reviewed by the Audit & Risk Committee of Taupō District Council.

A Schedule of Policies is attached. This contains details of Council policies falling within the Terms of Reference of the Audit & Risk Committee, including dates of last review and when the policies will next appear before the Committee.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the Schedule of Policies for review (A2058362).

ATTACHMENTS

1. Schedule of Policies (A2058362) 

5 CONFIDENTIAL BUSINESS

RESOLUTION TO EXCLUDE THE PUBLIC

I move that the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the local government official information and meetings act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 5.1 Confirmation of Confidential Portion of Audit & Risk Committee Minutes - 17 July 2017	Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7
Agenda Item No: 5.2 Audit New Zealand Draft Final Management Report for Year Ended 30 June 2017	Section 7(2)(i) - the withholding of the information is necessary to enable [the Council] to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7
Agenda Item No: 5.3 Litigation Update	Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7

I also move that *[name of person or persons]* be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of *[specify]*. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because *[specify]*.