



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

Date:	Tuesday, 6 March 2018
Time:	10.00am
Location:	Council Chamber 107 Heuheu Street 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
Cr Maggie Stewart

Quorum 4

**Gareth Green
Chief Executive Officer**

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3.1 AUDIT & RISK COMMITTEE MEETING - 30 OCTOBER 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 30 October 2017 be confirmed as a true and correct record.

ATTACHMENTS

1. **Audit & Risk Committee Meeting Minutes - 30 October 2017** 

4.1 TAUPO DISTRICT COUNCIL COUNCILMARK REPORT

Author: Pernille Fletcher, Business Analyst / Project Manager

Authorised by: Gareth Green, Chief Executive Officer

PURPOSE

To receive a report entitled “Taupō District Council – Independent Assessment Report” dated February 2018. Local Government New Zealand (LGNZ) CouncilMark™ Assessors James Lockhart and Peter Crow will be conferencing in to the meeting to present the report.

DISCUSSION

In November 2017, Taupō District Council participated in the 2nd tranche of the Local Government Excellence Programme (LGEP) assessment known as CouncilMark™. The programme was first developed in 2016 with the intention of building community trust and confidence in the work that councils do for their communities. Participating councils are reviewed across four priority areas and provided with an overall score and short narrative describing the things that council is doing exceptionally well and any perceived areas for improvement

Taupō District Council completed a self-assessment questionnaire and a two day on-site assessment in November, with our results reviewed by an Independent Assessment Board to provide us with a final rating, our “Council mark”.

Taupō District Council received an overall rating of BBB which is defined as “Some areas of strong performance, generally competent”.

Across the four priority areas, we received the following grades:

Priority Area	Grade
1. Governance, leadership and strategy	Competent
2. Financial decision-making and transparency	Better than competent
3. Service delivery and asset management	Competent
4. Communicating and engaging with the public and business	Better than competent

Taken from the Executive Summary.

“Taupō District Council is doing many things well, most notably its management of finances and engagement with the community it serves. Māori/Iwi and other stakeholder groups report a genuine sense of engagement. This is in spite of the Council lacking a single, coherent vision and formal strategy for the district. Work is currently underway to rectify this.”

It is expected that the assessment results will now be used to develop an action plan for business change and focus. We plan to complete our next assessment in approximately 3 years’ time.

CONCLUSION

It is recommended that the Committee receives the report.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the Taupō District Council – Independent Assessment Report” dated February 2018 and thanks Peter Crow and James Lockhart for their involvement and presentation.

ATTACHMENTS

1. CouncilMark Assessment Report Taupo Final 

4.2 HEALTH & SAFETY CONTRACTOR MANAGEMENT REPORT

Author: Lyn Hura, People & Capability Manager

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

PURPOSE

To receive a verbal report from the People & Capability Manager on the subject of health and safety in relation to Taupō District Council's contractor management.

DISCUSSION

The Audit & Risk Committee has requested a report on the subject of health and safety in relation to Taupō District Council's contractor management. The People & Capability Manager will provide a verbal update to the Committee. Further details will be provided via the quarterly Health & Safety report to full Council.

CONCLUSION

It is recommended that the information be received.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the health and safety contractor management report.

ATTACHMENTS

Nil

4.3 RISK REGISTER REVIEW

Author: Jamie Dale, Risk Manager

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

PURPOSE

To update the Audit and Risk Committee on the status of the review of key operational risks and seek members' guidance on how they may wish to review their current governance risks.

EXECUTIVE SUMMARY

The current key strategic operational risk register and governance risk register are due for review and updating to ensure that they capture all current and evolving risks that could have a significant impact on the Council.

The Senior Leadership Group is currently reviewing the key strategic operational risks and the Audit and Risk Committee should consider reviewing the current governance risks.

RECOMMENDATION(S)

That the Audit & Risk Committee directs officers to:

1. Consider the following risks in the review of the Council's key operational risks:
 -
 -
 -
2. Schedule a workshop for the Audit and Risk Committee to consider and review current governance risks and update the current governance risk register.

BACKGROUND

The current Risk Management Charter, adopted in October 2017, requires strategic risks to be reviewed and updated on an annual basis by the Senior Leadership Group as part of the corporate planning process. These reviews are an essential part of the 4 stage risk management cycle and essentially allow the leadership group to reconsider the existing risks, the effectiveness of the mitigation measures or controls and whether they are still relevant as well as emerging risks.

While not clearly stated in the Risk Management Charter the Audit and Risk Committee should reconsider their strategic governance risks on the same basis.

DISCUSSIONOperational Strategic Risk Register

The Senior Leadership Group have been given copies of the current strategic operational risk register with some suggested changes to existing risks based the required responses to the risks as identified on the current Risk Assessment Criteria.

Based on the current Risk Assessment Criteria, risks with inherent (untreated) risk scores less than high, are expected to be managed by activity managers as business as usual and require no special Senior Leadership Group input or involvement. Therefore it has been recommended to the Senior Leadership Group that those risks on the current operational strategic risk register with inherent risk scores of medium or lower are removed from the register. A copy of the current register showing these changes is attached for the committee's reference. Also the Senior Leadership Group has been asked to review all risks on the register and consider whether they are still relevant, whether the treatment/controls are still fit for purpose, has there been or is there likely to be changes in the likelihood or severity of risks etc.

In addition to reviewing the existing risks on the register members of Senior Leadership Group has been asked to consider new and emerging strategic risks that they consider should be recorded on the strategic operational risk register and reported on.

Once completed, changes and updates to the register will be reported to the committee at the next scheduled meeting.

Governance Strategic Risk Register

As identified earlier, the current Risk Management Charter does not clearly identify how governance risks should be reviewed and updated. However following the 4 stage risk management cycle detailed in the Risk Management Charter, the risks identified need to be reviewed to assess the effectiveness of controls and whether the nature of each risk has changed and also consider new and emerging risks.

Like the Senior Leadership Group it would be timely for the Audit & Risk Committee members to review the current governance risk register and consider whether the risks identified are still relevant, whether the treatment/controls are still fit for purpose and has there been or is there likely to be changes in the likelihood or severity of risks etc.

OPTIONS

Nil. Updates to operational and governance risk registers are required as part of the programme of work for the Audit & Risk Committee.

CONSIDERATIONS

Financial Considerations

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

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 performance of Council's regulatory functions. (i.e. efficient, effective and appropriate to present and anticipated future circumstances).

Policy Implications

There are no known policy implications.

Risks

There is no known increase in risks. The reviews of the corporate risk registers is consistent with the current Risk Management Charter, reflects best practice and ensures that key strategic risks are identified and managed appropriately.

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 risk environment the Council operates in is dynamic and is continually to evolving and changing. Reviews of key strategic risks are an important part of the risk management cycle and ensure that current and potentially future key risks are identified, considered in full and appropriate treatments to manage the risks are put in place. The Senior Leadership Group is currently reviewing the current operational risk register as the current risk management charter says it will. As part of this review, feedback from the Audit and Risk Committee on what they see as possible key operational risks is extremely important to this review process.

The key governance risks identified in the current governance risk register are due for a review by the Audit and Risk Committee and the register updated accordingly. How this review could occur for the committee needs to be confirmed.

ATTACHMENTS

1. Risk Assessment Criteria 
2. Corporate Operational Risks 2018 
3. Governance Risks 2018 

4.4 INTERIM REPORT ON PROPOSALS FOR A TAUPO DISTRICT COUNCIL HEADQUARTERS BUILDING - AUDIT NEW ZEALAND

Author: Brian Fox, Group Manager: Corporate and Community
Authorised by: Kevin Strongman, Group Manager, Operational Services
Gareth Green, Chief Executive Officer

PURPOSE

To receive an interim report from Audit New Zealand in relation to proposals for a Taupō District Council headquarters building.

DISCUSSION

Mr Peter Davies, Director, Specialist Audit & Assurance Services, Audit New Zealand has provided an interim report on proposals for a Taupō District Council headquarters building. The report is attached for receipt.

CONCLUSION

It is recommended that the Committee receives the report.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the report, dated 19 December 2017, from Audit New Zealand in relation to proposals for a Taupō District Council headquarters building.

ATTACHMENTS

1. Interim Report from Audit New Zealand - Proposals for a Taupo District Council headquarters building


4.5 TREASURY MANAGEMENT REVIEW - PRICEWATERHOUSECOOPERS REPORT

Author: Brian Fox, Group Manager: Corporate and Community

Authorised by: Gareth Green, Chief Executive Officer

PURPOSE

To receive a report from PricewaterhouseCoopers detailing findings of a review of Taupō District Council's key financial controls and policy in relation to Treasury Management.

DISCUSSION

PricewaterhouseCoopers undertook a review of Council's key financial controls and policy in relation to Treasury Management. The report is provided for receipt.

CONCLUSION

It is recommended that the Committee receives the report.

RECOMMENDATION(S)

That the Audit & Risk Committee receives the PricewaterhouseCoopers report, dated 16 February 2018, on Taupō District Council's key financial controls and policy in relation to Treasury Management.

ATTACHMENTS

1. PricewaterhouseCoopers Report - Treasury Management Review 

4.6 PROCUREMENT POLICY REVIEW 2018

Author: Brian Fox, Group Manager: Corporate and Community

Authorised by: Gareth Green, Chief Executive Officer

PURPOSE

The purpose of this item is for the Committee to receive the officer review of Council's Procurement Policy and to adopt an updated Procurement Policy.

EXECUTIVE SUMMARY

The review of Council's Procurement Policy is part of this Committee's current work programme for 2017/18. The Committee has previously discussed two key aspects regarding possible changes to the policy namely a "Buy Local" policy and a "Wood First" policy. In addition the Audit NZ Management Report for the year ending 30.06.17 made a number of recommendations for incorporation into procurement practices and guidelines at Taupō District Council. This report seeks to update Council's current procurement policy and/or guidelines incorporating the above where considered appropriate.

RECOMMENDATION(S)

That the Audit & Risk Committee:

1. Makes the following changes to Taupō District Council's Procurement Policy and adopts a final version dated 2018 accordingly:
 - (a) Update Council's procurement guidelines to incorporate the inhouse formation of a dedicated procurement team lead by Council's Procurement Manager and including Council's Corporate Solicitor with responsibilities for the oversight of Council's Procurement Policy guidelines and templates. That team to be approved by the CEO.
 - (b) Update Council's procurement guidelines to include a full schedule of delegated authorities financial and non financial.
 - (c) Update Council's procurement guidelines to provide greater direction on i) the use of contract management plans and ii) contractor non performance.
 - (d) Add the following words to the "Accountability" section of Council's Procurement Policy: "Council will annually undertake an independent audit of Council procurement contracts. All such audit reports will be reported to Council's Audit & Risk Committee".
 - (e) Add the following words under the "Sustainability" section of Council's Procurement Policy: "In particular Council will promote "Wood First" principles as a positive consideration for all its procurement requirements where considered appropriate".
 - (f) Add a local economic impact attribute principle to Council's Procurement Policy.
2. Agrees not to adopt a "buy local" principle as part of its Procurement Policy.

BACKGROUND

Council's review of its Procurement Policy is now due. That review is part of the policy programme for Council's Audit & Risk Committee. The policy was last reviewed in 2013 and a revised policy adopted in 2014. The revised policy reflected best practice at that time and is supported by procurement operational guidelines which were finalised in 2015 post policy adoption. By and large it continues to reflect generally accepted principles for procurement by public entities.

Since that time there have been some improvement suggestions made by Audit NZ regarding Council's procurement practices. Additionally other topical procurement practices have also been discussed such as a "Buy Local" component and also a "Wood First" policy. The latter has been brought to Council's consideration by Jane Arnott former Chief Executive for NZ Wood and supported by the Wood Council of NZ.

Officers have reviewed both the Audit NZ recommendations and the two other procurement discussions. They have also had discussions with Audit NZ on the "Buy Local" principle as well as reviewing other

Council's directions in this area. Officers have also met with their counterparts at the Rotorua Lakes Council which in 2015 became the first Wood First Council in NZ. Its Wood First Policy is attached as appendix 1.

In considering these matters officers were mindful that Council at the time of adopting its revised Procurement Policy in 2014 had consciously taken a strong principled approach. Those principles were then and remain today:

- Accountability
- Openness
- Value For Money
- Lawfulness
- Fairness
- Integrity

In proposing any policy changes to the Committee the intention is that such changes are not in conflict with those principles but add value to them.

DISCUSSION

Audit NZ Recommendations

The recommendations raised by Audit NZ in its management letter for the year ending 30.06 17 are attached as appendix 2. All four recommendations are self explanatory. None are considered contrary to the procurement principles currently adopted by Council but would enhance both principles and operational guidelines currently in place. Recommendations a) to d) of this item propose incorporating all four into Council's policy and/or guidelines.

“Buy Local“ Principle

There are some Councils that do have a buy local component to their procurement practices. The difficult question any Council faces when considering this issue is what is the right balance between offering incentives to local suppliers and at the same time being cost effective. One of the Councils that offers a buy local premium is Whanganui District Council. An extract from their procurement policy relating to this is attached as appendix 3.

In considering a potential 'buy local' component to Council's Procurement Policy officers repeatedly returned to the direction and principles Council had set when it adopted its revised policy in 2014. In doing this officers came to the conclusion that adopting such a "buy local" component in terms of the existing policy would be:

- (a) Fundamentally unfair and potentially uncompetitive,
- (b) Difficult in determining who is 'local',
- (c) Difficult to administer in terms of fairness and transparency,
- (d) Taking away from the focus of value for money for ratepayers

One alternative to a 'buy local' component to Council's policy is a "local economic impact attribute" (LEIA) that could be used as part of the procurement process for those services and supplies where appropriate. Fundamentally such an attribute could be added to the existing range of evaluation attributes such as relevant experience, methodology, track record etc and would consider how the proposal or service offered would positively impact the local Taupō District in such areas as local people employed, use of local subcontractors, purchase or use of local materials, use of local operating premises etc.

The addition of an LEIA component to Council's existing procurement practices where appropriate would allow Council in the bigger picture to offer greater support and encourage local industry in terms of overall economic direction but in a manner that is transparent and fair and consistent with its existing stated principles.

Wood First Policy

This item only considers the 'Wood First' discussion as part of Council's overarching procurement policy and not as a separate policy per se. As can be seen from the Rotorua Lakes Council policy Rotorua looks to achieve this by:

- 1) Facilitating and encouraging the use of wood as a preferred, sustainable, building material for all projects in the district,
- 2) Requiring that wood is used in council projects,
- 3) Actively supporting and advocating for wood and the wood industry, locally, regionally and at a national level.

It is noted that such a policy is not mandatory on external parties. However such a direction of consideration for Council owned facilities etc would be consistent with its existing Procurement Policy principal on sustainability. Additionally it may be an area given the proposed new Civic Building that Council would wish to have some stated flexibility and direction signalled at this early stage. Recommendation e) is intended to allow that flexibility within its current procurement framework.

Analysis of Options

Nil. Procurement Policy review is a required work programme.

CONSIDERATIONS

Financial Considerations

The financial impact of the proposal is estimated to be nil.

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).

Policy Implications

There are no known policy implications other than a required update of an existing policy.

Risks

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

LISA?

CONCLUSION

Updated policy recommendations would enhance Council's existing policy, provide greater accountability and transparency and incorporate new directions to assist the local economy and reflect Audit NZ's recommendations for policy improvement.

ATTACHMENTS

1. Whanganui District Council Procurement Policy extract 
2. Rotorua Lakes Council Wood First Policy 
3. Extract from the Audit New Zealand Management Report for the year ended 30 June 2017 
4. Taupo District Council Procurement Policy (A1208957) 

4.7 FRAUD POLICY REVIEW 2018

Author: Brian Fox, Group Manager: Corporate and Community

Authorised by: Gareth Green, Chief Executive Officer

PURPOSE

To update the Fraud Policy for Taupō District Council.

DISCUSSION

Taupō District Council's Fraud Policy is due for review. The current policy was adopted on 20 October 2015. It is recommended that no substantive changes be made to the policy, however it is necessary to update job titles and departments which have changed since October 2015. Therefore it is recommended that all references to "Human Resources" and "Human Resources Manager" are replaced with "People & Capability" and "People and Capability Manager" respectively; and all references to "Group Manager Community Risk Relations & Support" are replaced with "Group Manager: Corporate & Community".

CONCLUSION

It is recommended that the Committee updates the Fraud Policy with minor amendments as proposed.

RECOMMENDATION(S)

That the Audit & Risk Committee makes the following minor amendments to the Taupō District Council Fraud Policy (A1547760) and forwards the updated policy to Audit New Zealand for comment:

- Update all references to "Human Resources" and "Human Resources Manager" with "People & Capability" and "People & Capability Manager" respectively.
- Update all references to "Group Manager Community Risk Relations & Support" with "Group Manager: Corporate & Community".

ATTACHMENTS

1. Taupo District Council Fraud Policy (A1547760) 

4.8 AUDIT & RISK COMMITTEE TERMS OF REFERENCE

Author: Brian Fox, Group Manager: Corporate and Community

Authorised by: Gareth Green, Chief Executive Officer

PURPOSE

To consider the current Audit & Risk Committee Terms of Reference.

DISCUSSION

The Audit & Risk Committee Terms of Reference were adopted by Council at the start of the 2016-19 Triennium and are attached. If members wish to change the Terms of Reference in any way, those changes would need to be recommended to full Council for consideration.

CONCLUSION

It is recommended that the Audit & Risk Committee considers its Terms of Reference and recommends changes to Council, if appropriate.

RECOMMENDATION(S)

That the Audit & Risk Committee considers the Committee's Terms of Reference 2016-19 and recommends changes to Council, if appropriate.

ATTACHMENTS

1. Audit & Risk Committee Terms of Reference 

4.9 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 (A2146215).

ATTACHMENTS

1. Schedule of Policies for Review 

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
<p>Agenda Item No: 5.1 Confirmation of Confidential Portion of Audit & Risk Committee Minutes - 30 October 2017</p>	<p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p> <p>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)</p>	<p>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</p>
<p>Agenda Item No: 5.2 Risk Register Updates - Confidential Component</p>	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	<p>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</p>
<p>Agenda Item No: 5.3 Litigation Update</p>	<p>Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	<p>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</p>

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]*.