

ATTACHMENTS

Risk & Assurance Committee Meeting

10 March 2020

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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28 February 2020

David Trewavas
Mayor
Taupō District Council
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Dear David

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Taupō District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Council’s financial statements and performance information are free from material misstatement. The

Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;

- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the District Council:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting standards.

We are also responsible for forming an independent opinion on whether the performance information of Council:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with forecasts included in the forecast performance report for the financial year; and

- its actual revenue and expenses as compared with the forecasts included in the forecast performance report for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the District Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of District Council; including being independent of management personnel and members of the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the Council from time to time. We will inform the Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely



Leon Pieterse
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signed: _____ Date: _____
David Trewavas
Mayor, Taupō District

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with forecasts included in the forecast performance report for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the forecast performance report for the financial year; • complies with generally accepted accounting practice in New Zealand. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of Council; enable you to monitor the resources, activities, and entities under your control; enable the Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that Council has systems, policies, and procedures (appropriate to the size of Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions.</p> <p>Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Plan

Taupō District Council

For the year ending 30 June 2020

Audit Plan

I am pleased to present our Audit Plan for the audit of Taupō District Council for the year ending 30 June 2020. The purpose of this Audit Plan is to discuss:

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The contents of this Plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this Plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Leon Pieterse
Appointed Auditor
28 February 2020

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below our main areas of focus during the audit.

Area of audit focus	Our audit response
Property, plant, and equipment - revaluation and fair value movements	
<p>The District Council periodically revalues its infrastructure assets and operational land and buildings tri-annually on a cyclical basis.</p> <p>PBE IPSAS17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>We understand the District Council has engaged a valuer to revalue roading infrastructure during the 2019/20 financial year.</p> <p>Given the ongoing movements in construction costs, there is a risk that the fair value of assets not revalued are materially different from their carrying value.</p> <p>The District Council will therefore need to formally assess whether fair value is materially different from carrying value and whether a valuation is required. This assessment needs to be completed early in the audit process so that, if a full valuation is required, there is sufficient time for this to be completed, and the accounting entries processed.</p>	<p>For assets revalued, we will assess whether the valuations have been performed in accordance with PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p> <p>In particular, we will:</p> <ul style="list-style-type: none"> • review the valuation process, including source data collection, methodologies, and the reasonableness of any significant assumptions applied; • obtain confirmation from the valuer(s) that the valuations comply with relevant accounting and valuation standards and are appropriate for inclusion in the financial statements; and • check that the District Council has correctly accounted for the revaluations in its financial statements. <p>We will review the scope of any valuations undertaken to ensure the valuer is independent, appropriately qualified and that the valuations have been completed in accordance with appropriate standards. We will ensure any movements in valuations have been correctly accounted for. We will review management's assessment of whether the fair value is materially different from carrying value and whether a valuation is required.</p> <p>We will assess the processes used by management to assess and account for work in progress (WIP) and impairment in property, plant, and equipment balances.</p>

Area of audit focus	Our audit response
Revaluation of investment properties	
<p>PBE IPSAS 16 <i>Investment Property</i> requires investment properties to be revalued on an annual basis. There are some aspects to the valuation of investment properties that require particular use of judgement in determining their fair value.</p> <p>We understand the District Council has engaged a valuer to revalue investment properties during the 2019/20 financial year.</p>	<p>We will assess whether the valuations have been performed in accordance with PBE IPSAS 16 <i>Investment Property</i>.</p> <p>In particular, we will:</p> <ul style="list-style-type: none"> • review the valuation process, including source data collection, methodologies, and the reasonableness of any significant assumptions applied; • obtain confirmation from the valuer(s) that the valuations comply with relevant accounting and valuation standards and are appropriate for inclusion in the financial statements; and • check that the District Council has correctly accounted for the revaluations in its financial statements. <p>We will review the scope of any valuations undertaken to ensure the valuer is independent, appropriately qualified and that the valuations have been completed in accordance with appropriate standards. We will ensure any movements in valuations have been correctly accounted for.</p>

Area of audit focus	Our audit response
New Financial Management Information System (FMIS)	
<p>The District Council is in the process of updating its FMIS. The Quantum Programme has been set up to implement the Technology One Financial, Payroll, Rating and Regulatory Information Systems.</p> <p>A project steering group is in place and project reporting is also provided to the organisational Project Governance Group. The District Council will need to have sufficient controls in place to ensure that balances and employee information to the change of system is accurately input into the new system.</p> <p>We understand that the programme of work is a phased approach starting with payroll. The payroll data migration to the new version of Technology One is to go live in the 2019-20 financial year. A specific review will be undertaken by the IS team over the Technology One payroll data conversion to ensure that appropriate systems and processes are in place and data integrity has been maintained.</p>	<p>We will assess whether:</p> <ul style="list-style-type: none"> data that has been migrated to the new system is complete and accurate; and there is an appropriate strategy in place for managing historical data that is not migrated. <p>We will also obtain an update on the status of the Quantum Programme.</p>
New Council building	
<p>During the 2019 financial period, the District Council consulted with the community and, as a result, amended the long-term plan with the confirmed preferred option, to build the new administration building at 61-67 Tuwharetoa Street.</p> <p>Because of the scale of this project the Council needs to ensure that:</p> <ul style="list-style-type: none"> any costs capitalised meet the definition of capital expenditure; project costs have been correctly classified into work-in-progress (WIP); and disclosures around commitments and work in progress have correctly been disclosed. <p>As the project progresses we expect that the District Council will closely monitor the project, including contract variations.</p>	<p>As part of the audit, we will:</p> <ul style="list-style-type: none"> obtain an update on the status of the project; review the classification of expenditure on the project to make sure this has been accounted for in accordance with generally accepted accounting practice; review the disclosures around commitments and work and progress to ensure they are accurate; and review any impairment assessments over the work in progress at balance date.

Area of audit focus	Our audit response
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Taupō District Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in Taupō District Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Taupō District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Taupō District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Taupō District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Taupō District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to the Council



We will provide a draft of all reports to management (and the Council) for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Leon Pieterse	Appointed Auditor
David Walker	Engagement Quality Reviewer
Liz Tombleson	Audit Manager
Bernard Lee	Assistant Manager
Robyn Dearlove	Manager Information Systems Audit and Assurance

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



Our proposed timetable is noted below. Please note that the timing noted below is still tentative, and we will discuss any changes required to this proposed timetable with management:

Interim audit (week 1)	11 May 2020
Interim audit (week 2)	15 June 2020
Draft Report to the Council on the interim audit issued for management comments	30 June 2020
Report to the Council on the interim audit issued with management comments	14 July 2020
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	31 August 2020
Final audit begins	31 August 2020
Final financial statements available, incorporating all the amendments agreed to between us	16 September 2020
Verbal audit clearance given	18 September 2020
Annual report available, including any Chair and Chief Executive's overview or reports	22 September 2020
Audit opinion issued	29 September 2020
Draft Report to Council on the final audit issued for management comments	30 September 2020
Final Report to the Council issued with management comments	12 October 2020

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



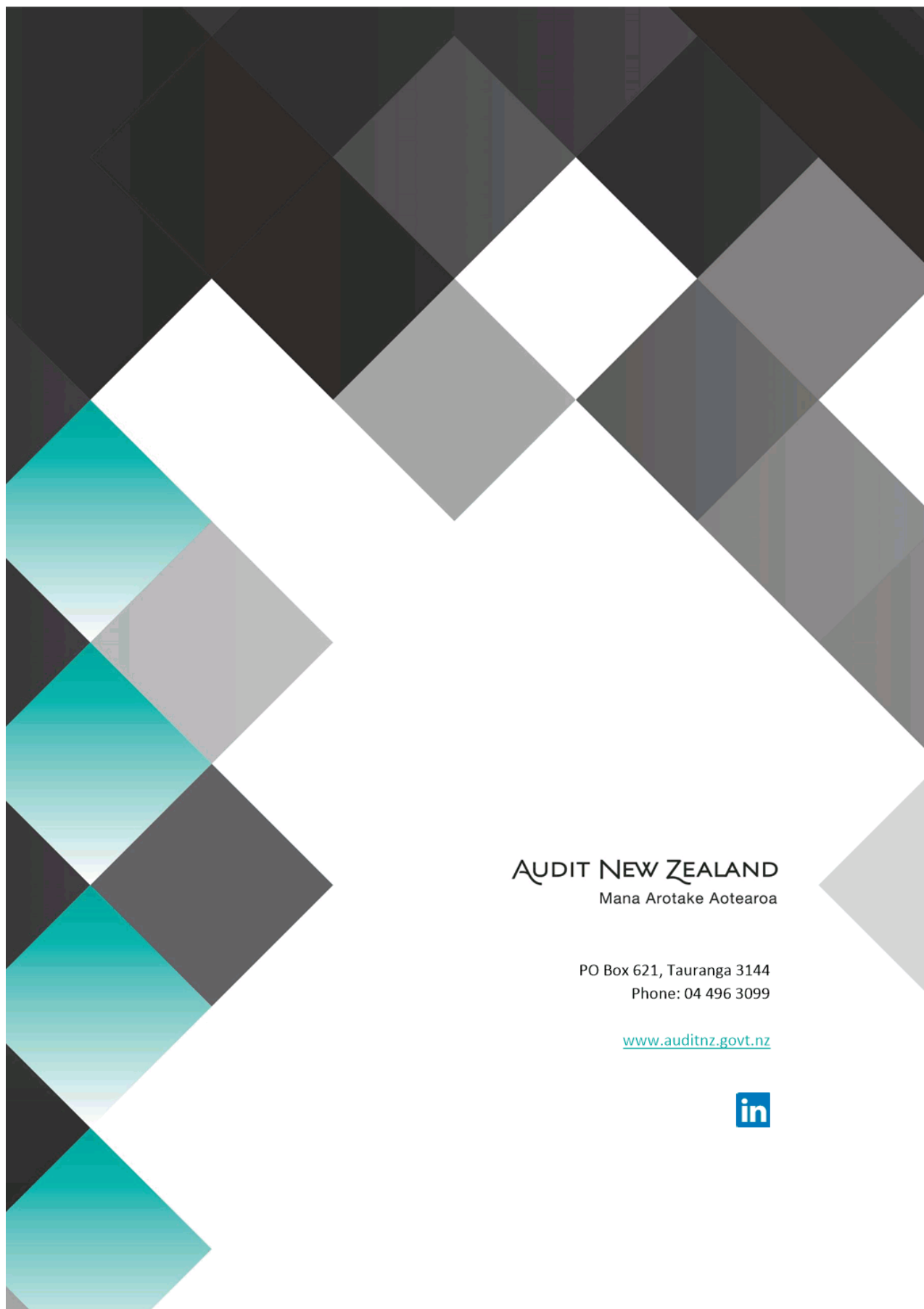
Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.





Taupō District Council

Triennial Elections 2019 Debrief

The 2019 triennial election was held on 12 October 2019 by postal voting in accordance with the Local Electoral Act 2001.

Warwick Lampp was appointed as an independent Electoral Officer by the Council in 2011, and in conjunction with *electionz.com* Ltd, managed the preparation and processing work involved in conducting the election.

Council used the First Past the Post (FPP) voting system and for the second time used fully random order of candidates' names on the voting documents for the 2019 election.

Taupō District Council was also contracted by the Lakes DHB and the Waikato, Hawkes Bay and Bay of Plenty Regional Councils to process their Taupō constituency voting documents.

The progress results were available at 12.35pm on the close of polling on 12 October 2019. There were no issues experienced with the processing of the voting documents. Votes were processed at the *electionz.com* vote processing centre in Christchurch.

In general the election ran very smoothly, there were no major candidate management or campaigning issues other than the usual signage matters that were attended to by the Compliance Team. Excellent support was provided by Council's Deputy Electoral Officer, Tina Jakes, and the customer service staff.

There were more issues with social media this time, with candidates complaining about what others had said about them online, but this is a common problem right across the country.

Like I did in 2016, in early 2019 I presented a session to the council on Election Protocols for EMs and council staff to abide by during the election period. Generally this worked well, with a few instances that needed to be worked through, but during the election period the Office of the Auditor General advised that these guidelines (which had been in place since 2004) have been withdrawn. This is primarily because they were formulated before the advent of social media. SOLGM and LGNZ and council Electoral Officers will be working on an updated set of similar guidelines, incorporating social media for 2022.

The performance of the postal system also attracted plenty of attention this time. My experience from dealing with our 42 councils all over the country was that in general the outbound delivery of voting documents was adequate, but with many instances of late delivery of voting documents in various places, which in my view was not good enough. We will be addressing this with NZ Post for 2022.

However, the inbound delivery of returned votes to our centralised processing centre in Christchurch went very well, with very few late votes received across our councils. TDC received 23 late votes in the post. Tina Jakes and I made extra arrangements for the easier hand delivery of votes in the last week. As a result, significantly more ordinary votes and special votes were received at council offices. This was a nationwide trend and is something that we as a sector will look at further for 2022, eg the possibility of more visible drop-off and special voting arrangements.

Some usual statistics from the election are as follows.

Number of candidates

Issue	2007	2010	2013	2016		2019
Mayor	3	4	5	4		4
Taupō-Kaingaroa	14	16	19	14	Taupō	14
					Taupō East Rural	2
Tongariro-Turangi	5	5	5	5		4
Mangakino-Pouakani	2	3	2	3		1
Tongariro-Turangi Comm Board	11	16	8	10		7
Total	35	44	39	36		32
<i>Council Seats: – including Mayor</i>	<i>11</i>	<i>11</i>	<i>11</i>	<i>11</i>		<i>11</i>

Voting papers:

	2004	2007	2010	2013	2016	2019
Number of residential electors	21,265	22,038	22,454	22,528	23,243	24,432
Number of ratepayer electors	835	863	842	431	399	378
Number of voting packs returned	3,329	11,440	12,771	11,130	12,035	13,252
Number of special votes cast	81	68	144	152	167	285
% return	51.43 %	50.26 %	54.21 %	48.29 %	50.91 %	53.41 %
Number of ratepayer electors who returned votes	619 74.13 %	632 73.23 %	671 79.69 %	311 72.15 %	335 83.96 %	313 82.80 %

NB: Ratepayer electors are those who own property in the district but live outside of it, or people nominated by businesses, who own rateable property in the district, to exercise a vote for them.

Return by issue:

	2007	2010	2013	2016		2019
Mayor	50.26 %	54.21 %	48.29 %	50.91 %		53.41 %
Taupō-Kaingaroa	51.50 %	55.08 %	48.68 %	51.53 %	Taupō	54.71 %
					Taupō East Rural	40.01 %
Tongariro-Turangi	49.96 %	54.32 %	50.32 %	52.60 %		60.21 %
Mangakino-Pouakani	35.74 %	43.03 %	38.46 %	38.51 %		N/A

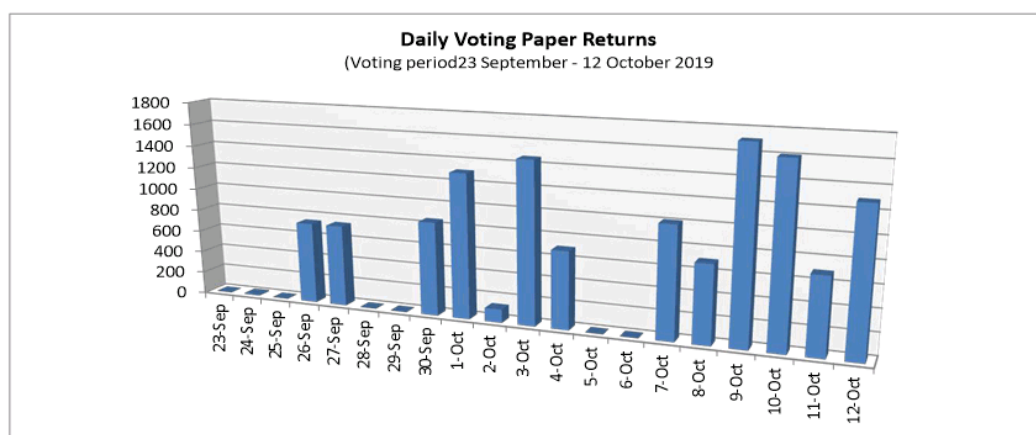
Informal votes:

Issue	2007	2010	2013	2016		2019
Mayor	21	12	17	13		25
Taupō-Kaingaroa	15	29	29	15	Taupō	27
					Taupō East Rural	0
Tongariro-Turangi	5	1	7	11		3
Mangakino-Pouakani	3	2	0	0		N/A
Tongariro-Turangi CB	10	5	5	6		1
TOTALS	54	38	58	45		56

Blank Votes – Documents Returned Unmarked

Issue	2007	2010	2013	2016		2019
Mayor	384	144	285	220		111
Taupō-Kaingaroa	130	202	169	307	Taupō	211
					Taupō East Rural	62
Tongariro-Turangi	50	63	16	11		32
Mangakino-Pouakani	14	17	13	23		N/A
Tongariro-Turangi CB	42	23	26	35		60
TOTAL	620	449	509	596		476

The pattern of returned voting papers was as follows:



Costs

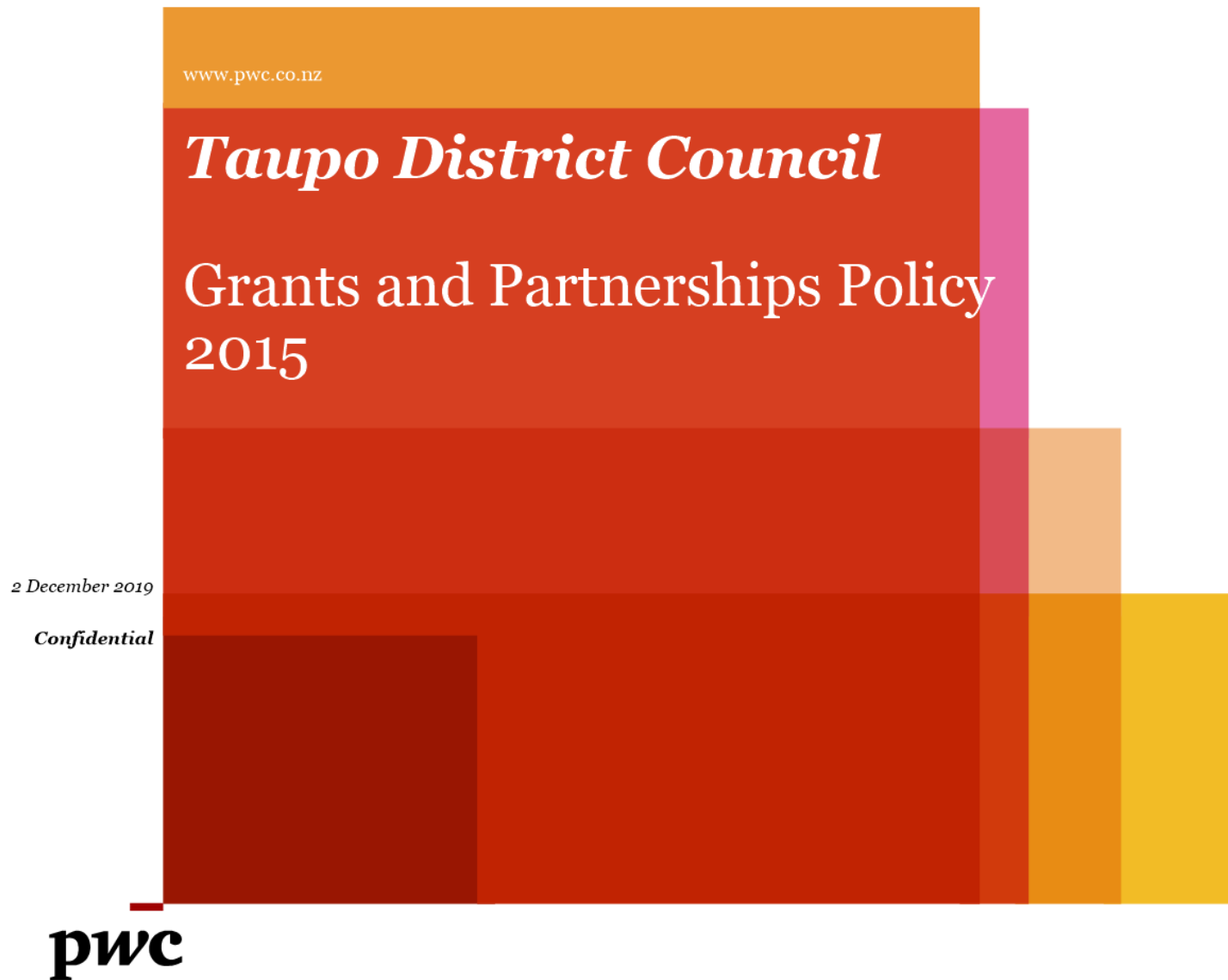
The total election costs in 2019 were \$178,582 compared to \$152,032 in 2016.

The Council's share was \$86,904 compared to \$75,771 in 2016, \$69,056 in 2013 and \$65,212 in 2010. The LDHB share of costs was \$54,881 compared to \$42,015 in 2016, \$39,415 in 2013 and \$35,373 in 2010, and RCs were \$36,797 compared to \$34,246 in 2016, \$28,916 in 2013 and \$28,662 in 2010. These ratios are on par with other councils, ie the council share is usually between 45-55% of the total election costs, depending on how many RC elections are contested.

	2019	2019%	2016	2016%	2013%
Council	\$86,904	48.66%	\$75,771	49.83%	50.26%
LDHB	\$54,882	30.73%	\$42,015	27.64%	28.69%
RCs	\$36,797	20.60%	\$34,246	22.53%	21.05%

I take this opportunity to thank Council's staff for the assistance in 2019, particularly Tina Jakes who was DEO, and look forward to the next triennial election in 2022.

Warwick Lampp – *electionz.com Ltd*
Electoral Officer – Taupō District Council
1 March 2020





Brian Fox
Head of Risk & Regulatory
Taupo District Council
72 Lake Terrace
Taupo

2 December 2019

Report for Services In Relation To Grants and Partnerships Policy Review for Taupo District Council

Dear Brian

We are pleased to provide you our report that provides a summary of our key findings from our internal audit covering a review of your Grants and Partnerships Policy Review.

This report was prepared in accordance with the terms and conditions set in our engagement letter dated 20 September 2018 and should be read in conjunction with the key terms of business, restrictions and disclaimers included in this report.

Thank you for the opportunity to support you in this piece of work. We would also like to express our appreciation for the assistance provided to us by your team during this project.

Please do not hesitate to contact me if you have any questions or require further assistance.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Dixon'.

John Dixon
Partner
john.j.dixon@pwc.com
P: 06 833 3733

PricewaterhouseCoopers, Level 3, 6 Albion Street, Napier 4140, New Zealand
T: +64 6 835 6144, pwc.co.nz



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Section 1

Executive Summary

Taupo District Council • Grants and Partnerships Policy Review
PwC

December 2019
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Executive Summary

PwC was engaged by Taupo District Council to assess the compliance of Grants and Partnerships Policy 2015. We have reviewed the compliance with the Policy for the period 1 July 2018 to 30 June 2019.

We set out below the Objective and Approach for this engagement.

Objective

The objective of this engagement is to assess compliance with the Grants and Partnerships Policy 2015 (including the amendment on 26 June 2018), by TDC.

The period to be covered will be 1/07/2018 to 30/06/2019

The specific procedures and our approach which will form our engagement are recorded in **Appendix A**

Approach

Our approach was as follows:

- Read the Grants and Partnership Policy to gain an understanding of policy and processes.
- Interview key staff to gain an understanding of the processes in place for the management of the Grants and Partnerships policy.
- For a sample of 5 grants and 5 partnerships we will confirm that the policy has been complied with and highlight departures from the policy (if any)
- Assess the policy, procedures and processes against good practice and make recommendations to identify any gaps or weaknesses.

Overall Comments

We note that the current Grants and Partnerships Policy 2015 is currently being reviewed and updated by the Council and as such we recommend that consideration is taken to incorporate the recommendations within this report to ensure a robust policy going forward.

Section 2

Our findings

Taupo District Council • Grants and Partnerships Policy Review
PwC

December 2019
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Process Testing – Grants and Partnerships Policy

Our findings

1. Collection of Accountability Reports In A Timely Manner (para 24)	Priority Rating	High
---	-----------------	-------------

Observation

Through our review of the individual grants by the distributors, and the accountability reports that the recipients must provide on receipt or use of the funds (with regards to), we found two instances where the accountability report was still outstanding after the three month period of utilising the grant.

Recommendation

We recommend that:

1. That there is communication with either the distributors to make clear that all recipients produce an accountability report within the stated time frame, or council works with the individuals to ensure this gets back in a timely manner. This is to ensure that there is a thorough review of use of funds, so that an assessment can be made on appropriateness of use.
2. Follow up on any long outstanding accountability reports.

Management comment

Agree. Under immediate action.

<i>Implementation date and management responsible</i>	Immediately – Dylan Tahau SLT Manager
--	---------------------------------------



Process Testing – Grants and Partnerships Policy

Our findings

2. Insufficient Information In Distributors Accountability Reports (para 26)

Priority Rating

High

Observation

The policy states that “distributors will provide a comprehensive report to council annually ...”. Through our review of the distributors accountability reports we note that only the three independent distributors actually submit these reports, the two that are managed in house do not. However, we do note that staff oversee getting the financials and analysing spending for Turangi/Tongariro & Mangakino/Pouakani. In terms of the three independent distributors, our review has shown that there is a significant lack of detail in the reports that the independent distributors produce. This is highly important as these responses determine if the next years funding will be paid. Specifically, we noted one of the forms not being filled out through the online portal, and another that had one or two sentences for responses.

Recommendation

We recommend that:

1. For the two distributors managed in house by TDC, it is recommended that some form of written report or analysis is done for the two, as the policy expects all distributors to prepare an accountability report.
2. In terms of the three independent distributors, Council must work with these parties at the start of each financial year to set out expectations, and walk them through what is required in an accountability report in terms of substance, and documents needing to be produced. Alternatively, a template document could be produced and sent to distributors showing the types of responses expected in the online form. Whilst the online template is very useful for prompting responses, initially walking through each party on what council is looking for would avoid the lack of detail, and also aid in more comprehensive answers. All accountability reports need to have sufficient detail in order to enable council to review if the funding is in line with the policy.

Management comment

Agree. A more proactive approach will be undertaken to ensure greater transparency of reporting by distributors.

Implementation date and management responsible

Immediately – Dylan Tahau SLT Manager



Process Testing – Grants and Partnerships Policy

Our findings

3. Inconsistent Decision Making Criteria With Independent Distributors

Priority Rating

Moderate

Observation

Discussion with key staff indicated that due to independent distributors having oversight of decision making process for applications, there tends to be some inconsistency with other grants or partnership funding. Whilst the policy is the basis for all decisions, there is some implied use of separate decision criteria's, as the distributors have differing purposes. The independent distributors do have some judgement on who gets funding and in what proportion, as applications often exceed funding available. However these judgements should always come back to the policy to start with, then their agreement second. Some people who have been declined under independent distributors, meet the criteria under the policy, which is also applied to other grants, and also partnership grants.

Recommendation

We recommend that:

1. A review of the policy guidelines around the decision making criteria process with independent distributors.
2. The policy should be the basis in all decision making, then the agreement second. It is recommended that all independent distributors are to follow the policy criteria in their decision making. This could be achieved by having a document setting out expectations and/or interpretations of what the policy means in terms of decision making. Each distributor should be given a copy of this, and also initially inducted or walked through expectations on the policy criteria. This would avoid confusion around some of the key terms. Regular communication with distributors is also expected, so that there is a good flow of information with Council.

Management comment

Agree. Policy is the basis for all decision making. All agreements need to clearly reflect policy requirements. To be included in upcoming policy review consideration.

Implementation date and management responsible

Immediately – Dylan Tahau SLT Manager



Process Testing – Grants and Partnerships Policy

Our findings

4. Accept/Decline Process From Independent Distributors Lacks Substance

Priority Rating

High

Observation

Discussion with staff, and inspection of documentation has shown that independent distributors only provide TDC with an accept/decline comment against all applicants and no further information is provided. This creates an issue as Council cannot ensure that the decisions were made in line with the policy on the grounds for accepting or declining.

Recommendation

We recommend that all decisions made by distributors need to be provided to Council in a timely manner, with sufficient detail around reasons for accepting and declining applicants. This could be in the form of stating the decision, and listing the key criteria used in the decision. This would give Council comfort over the decision process and adherence to the policy.

Management comment

Agree. Enhanced information will be required as recommended in a timelier manner from independent distributors. This to provide greater assurance to Council in its governance and stewardship of funding to external parties.

Implementation date and management responsible

Immediately – Dylan Tahau SLT Manager



Process Testing – Grants and Partnerships Policy

Our findings

5. Paper Applications Being Accepted

Priority Rating

Moderate

Observation

In our sample of grants tested, we noted instances of applications for Lake Taupo Sports Advisory Council grants being received via non-council forms, of which were not submitted through the online site.

Recommendation

We recommend that all applications need to be made through the council website, and paper forms are not to be accepted. This needs to be communicated to all distributors, that the online application system is the process for all applicants, and they must work with applicants to ensure the process is followed. This is to ensure that all applicants are treated in a fair and equitable way.

Management comment

Agree. To be implemented immediately.

Implementation date and management responsible

Immediately – Dylan Tahau SLT Manager



Process Testing – Grants and Partnerships Policy

Our findings

6. Independent Distributors Holding Funds At Year End (including GST component)

Priority Rating

Moderate

Observation

During our inquiry of staff and inspection of accountability reports, we note that funding is being held and not distributed through funding rounds, or is being paid out adhoc when there is an excess amount close to year end. The agreements with distributors state that 2.5% is allowed to be retained for administration expenses with the rest needing to be returned to council. We also noted that Lake Taupo Sports Advisory Council holds the GST component of their distribution to GST registered applicants.

Recommendation

We recommend that:

1. Clear funding rounds are set at the start of the financial year, with the expectation that these funding rounds distribute all funds. The number of funding rounds set should not change unless council is notified. This ensures that all applicants are aware when they need to apply, making the process as fair and equitable as possible. Adhoc or additional funding rounds are not recommended, as these tend to lack sufficient communication with applicants. The purpose of funding rounds is to distribute all funds, and this should be complied with in all instances.
2. Funds not distributed should be returned to Council in line with the policy.
3. It is expected that the GST component is passed on if the applicant is GST registered, this is not to be retained by the distributor. This is to be communicated to all distributors.

Management comment

Agree. Given the significant sum of public funding being distributed over a contract period Council's expectations regarding distribution of funds needs to be fully adhered to. Council will also consider the question relating to GST in more detail.

Implementation date and management responsible

Immediately – Dylan Tahau SLT Manager



General Observations and Recommendations

Observation

During our review of the Grants and Partnership Policy 2015 we noted some general observations on the wording included in paragraphs 5, 11-16, 21, 24 & 26. Paragraphs 24 & 26 have been covered in prior observations/recommendations. We note that Council calls for applicants to apply to be distributors, of which Council selects the most suited applicants. However our review indicated that two of the five selected are rolling distributors which don't go through the application process (Turangi/Tongariro Community Board, and the Mangakino Community Agency). More over the policy states that all distributors are to consider Taupo wide applicants, however these two distributors tend to focus more on their area than the district as a whole.

Recommendation

We recommend:

The council review these policies, and align wording with intended purpose. This would include making it known or clear that there are two distributors that are rolling/standing distributors. A note to the policy is recommended to avoid confusion. This removes any issues around fairness of the process, and makes it transparent and clear to the public that two of the distributors are permanent. It is also recommended that it is made clear to these distributors that they must consider all applicants in the wider district, or refine the definition of the two distributors to just include their areas, and use the other three independent distributors to cover the rest of the greater Taupo area.

We would also recommend that a high level review of these rolling/standing distributors is undertaken to ensure they are still appropriate. This does not have to be completed annually but the policy should state how often this needs to be reviewed.

Management comment

General observations are noted. At policy review time Council will ensure policy wording accurately reflects Council's intended purposes. Council will also consider at this time appropriateness of review timelines for distributors and tenure of role etc.

Section 3

Appendices

Taupo District Council • Grants and Partnerships Policy Review
PwC

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Appendix 1 - Documents Sighted and Glossary

The following documents have been reviewed by PwC in assessing TDC's compliance with the Grants and Partnerships Policy

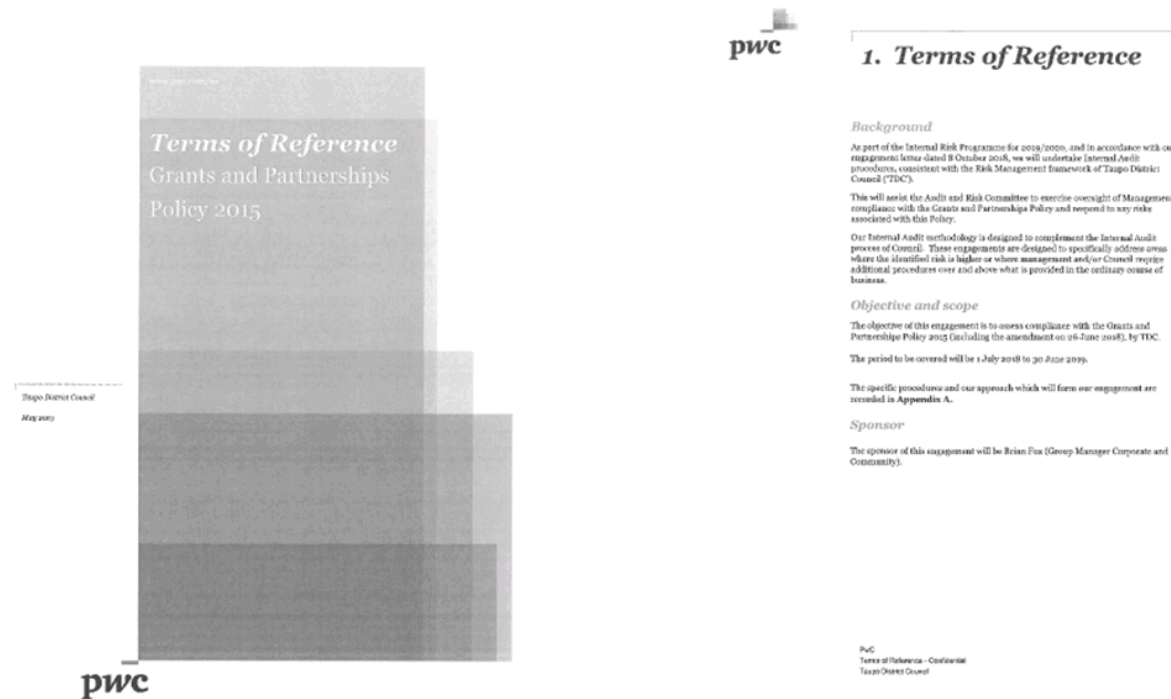
- Grants and Partnerships Policy 2015 (Amended 26 June 2018)
- Application forms for Grants and Partnership Grants
- Application forms for Distributor agreements
- Distributor Agreements
- Partnership Grant Agreements
- Grant recipient accountability reports
- Partnership Grant accountability reports
- Distributor accountability reports

Glossary

- TDC – Taupo District Council
- PwC – PricewaterhouseCoopers



Appendix 2 - Terms of Reference



Taupo District Council • Grants and Partnerships Policy Review
PwC

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Appendix 2 - Terms of Reference (cont)



Staffing

This engagement will be performed by the following:

John Dixon	Engagement Partner responsible for the overall engagement
Natasha Eastwood	Engagement Manager responsible for overseeing the delivery of the engagement

Other staff, including specialists, will be used as required.

Timeframe

The timeframes for this assessment will be agreed as required.

Planning of Engagement	TBC
Commence fieldwork (subject to availability of data)	TBC
Expected date for completion of fieldwork	TBC
Issue draft findings / workshop results	TBC
Management Comments received	TBC
Final report issued	TBC

Deliverables

At the end of this engagement we will meet with relevant staff/management to discuss our findings and agree upon a practical approach to implementing any recommendations for improvement. Individual written reports will be used as the basis for this discussion.

To ensure a 'no surprises' approach we will regularly communicate progress updates to you during fieldwork.

As noted above, we will issue individual reports which will be produced within 10 business days of the completion of the fieldwork.

Our oral reports and any draft reports which you might receive will not constitute our definitive findings and recommendations. These findings and recommendations, if any, will be contained solely in our final written report.

These reports are provided solely for the Council for the purpose for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to it or its contents without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.

PwC
Terms of Reference - Confidential
Taupo District Council

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The engagement will not constitute an agreed upon procedure, review or audit in terms of standards issued by the New Zealand Institute of Chartered Accountants. Accordingly, this engagement is not intended to, and will not, result in the expression of an audit opinion nor the fulfilling of any statutory audit or other requirements.

Fees

We estimate that this engagement will take approximately 3 days onsite in Taupo with 3 days planning and reporting time from our Hawke's Bay office. This will have an estimated total fee range for this engagement will be \$9,000 - \$10,000 exclusive of GST and disbursements.

This fee excludes a service fee of 5% to cover our office support costs in respect of photocopying, postage, calls and faxes, stationery, courier and mileage. In addition to our fee, any other significant direct out of pocket expenses incurred would be charged at cost (e.g. travel and accommodation).

Achieving the timetable and budget, are dependent upon Council staff members being available to work with our team as required during the course of this evaluation and the availability of required documentation. Should the nature and extent of work required differ from that anticipated we will discuss with you and agree a revised timeframe and budget.

PwC
Terms of Reference - Confidential
Taupo District Council

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Appendix 2 - Terms of Reference (cont)



2. Acceptance

Please contact me if you have any questions in respect of this Terms of Reference.
If you are in agreement with this Terms of Reference, please sign where indicated below and return to us.

John Dixon
Partner
PwC
Napier
24 May 2019

I accept the above terms of reference for the Internal Audit Procedures on behalf of
Taupo District Council.

Brian Fox
Group Manager Corporate and Community
Taupo District Council

24 May 2019
Date

PwC
Terms of Reference - Confidential
Taupo District Council

4

Appendix A

Background	Procedures
Grants and Partnerships Policy 2013*	<ol style="list-style-type: none"> 1. Read the Grants and Partnerships Policy to gain an understanding of policy and processes. 2. Interview key staff to gain an understanding of the processes in place for the management of the Grants and Partnerships policy. 3. For a sample of 5 grants and 5 partnerships we will confirm that the policy has been complied with and highlight departures from policy (if any). 4. Assess the above policies, procedures and processes against good practice and make recommendations to address any gaps or weaknesses.

* Note: there was an amendment to the GFP on 26 June 2018

Disclaimer

This document has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose.

In preparing this document and providing our recommendations, we have relied upon, and assumed the accuracy and completeness of, all information available to us from public sources and furnished to us by Taupo District Council staff.

It should not be construed that we have conducted an audit of the information we have used.

This document has been prepared solely for use by Taupo District Council.

Our engagement did not constitute a statutory audit (the objective of which is the expression of an opinion on financial statements) or an examination (the objective of which is the expression of an opinion on management's assertions).

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this document and/or any related information or explanation (together, the "Information").

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This document has been prepared with care and diligence and the statements and opinions within it are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by us or any of our partners or employees for the preparation of the document to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the document or assumptions reasonably taken as implicit.

We reserve the right, but are under no obligation, to revise or amend the document if any additional information (particularly as regards the assumptions we have relied upon) which exists at the date of this document, but was not drawn to our attention during its preparation, subsequently comes to light.

This document is issued pursuant to the terms and conditions set out in our letter of engagement with by Taupo District Council.

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Taupo District Council • Grants and Partnerships Policy Review
PwC

December 2019
19

www.pwc.com/nz

Terms of Reference

Treasury Management Policy

Taupo District Council

4 February 2020

pwc



1. *Terms of Reference*

Background

As part of the Internal Risk Programme for 2018/2019, and in accordance with our engagement letter dated 8 October 2018, we will undertake Internal Audit procedures, consistent with the Risk Management framework of Taupo District Council ("TDC").

This will assist the Audit and Risk Committee to exercise oversight of Management's compliance with the Treasury Management Policy and respond to any risks associated with this Policy.

Our Internal Audit methodology is designed to complement the Internal Audit process of Council. These engagements are designed to specifically address areas where the identified risk is higher or where management and/or Council require additional procedures over and above what is provided in the ordinary course of business.

Objective and scope

The objective of this engagement is to assess compliance of the Treasury Portfolio with the Treasury Management Policy through the required metrics and processes included within the policy.

The engagement will include the following areas:

- Compliance with the Treasury Management Policy (TMP).
- Consider whether investing activities are properly authorised with appropriate reviews and timely recording.
- Consider the specific requirements of the TEL portfolio.
- Consider issues and recommendations made in our report dated 25 February 2019 have been addressed.

The specific procedures and our approach which will form our engagement are recorded in **Appendix A**.

Our procedures will cover the period 1 July 2018 to 30 June 2019.

Sponsor

The sponsor of this engagement will be Brian Fox (Group Manager Corporate and Community).



Staffing

This engagement will be performed by the following:

John Dixon	Engagement Partner responsible for the overall engagement.
Natasha Eastwood	Engagement Manager responsible for overseeing the delivery of the engagement.

Other staff, including specialists, will be used as required.

Timeframe

The timeframes for this assessment will be agreed as required.

Planning of Engagement	TBC
Commence fieldwork (subject to availability of data)	TBC
Expected date for completion of fieldwork	TBC
Issue draft findings / workshop results	TBC
Management Comments received	TBC
Final results issued	TBC

Deliverables

At the end of this engagement we will meet with relevant staff/management to discuss our findings and agree upon a practical approach to implementing any recommendations for improvement. Individual written reports will be used as the basis for this discussion.

To ensure a 'no surprises' approach we will regularly communicate progress updates to you during fieldwork.

As noted above, we will issue individual reports which will be produced within 10 business days of the completion of the fieldwork.

Our oral reports and any draft reports which you might receive will not constitute our definitive findings and recommendations. These findings and recommendations, if any, will be contained solely in our final written report.

These reports are provided solely for the Council for the purpose for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.



The engagement will not constitute an agreed upon procedure, review or audit in terms of standards issued by the New Zealand Institute of Chartered Accountants. Accordingly, this engagement is not intended to, and will not, result in the expression of an audit opinion nor the fulfilling of any statutory audit or other requirements.

Fees

We estimate that this assignment will take approximately 2 days onsite in Taupo with 3 days planning and reporting time from our Hawke's Bay office. This will have an estimated total fee range for this engagement will be \$9,500 - \$10,000, exclusive of GST and disbursements.

This fee excludes a service fee of 5% to cover our office support costs in respect of photocopying, postage, tolls and faxes, stationery, couriers and mileage. In addition to our fee, any other significant direct out of pocket expenses incurred would be charged at cost (e.g. travel and accommodation).

Achieving the timetable and budget, are dependent upon Council staff members being available to work with our team as required during that course of this evaluation and the availability of required documentation. Should the nature and extent of work required differ from that anticipated we will discuss with you and agree a revised timeframe and budget.



2. Acceptance

Please contact me if you have any questions in respect of this Terms of Reference.

If you are in agreement with this Terms of Reference, please sign where indicated below and return to us.

A handwritten signature in black ink, appearing to read 'John Dixon', written over a horizontal line.

John Dixon
Partner
PwC
Napier
4 February 2020

I accept the above terms of reference for the Internal Audit Procedures on behalf of
Taupo District Council.

Brian Fox
Group Manager Corporate and Community
Taupo District Council

Date

Appendix A

Engagement	Procedures
Treasury Management Policy	<ol style="list-style-type: none">1. Review the TMP to gain an understanding of processes and procedures.2. Obtain confirmations from financial institutions to confirm information contained in the TEL and GF spreadsheets.3. Interview key staff to gain an understanding of the processes in place for the management of the Treasury policy.4. Review the Treasury Management reporting to Council and confirm the performance is within policy parameters.5. Assess the above policies, procedures and processes against good practice and make recommendations to address any gaps or weaknesses.6. Follow-up on the status of issues reported in our review dated 25 February 2019 and by the external auditors.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

6 November 2019

Level 4, 127 Alexandra Street
PO Box 256, Hamilton 3240
Ph 04 496 3099

David Trewavas
Mayor
Taupō District Council
Private Bag 2005
Taupō Mail Centre
Taupō 3352

Dear David

Quantum programme proposal for additional audit assurance work required

1 Introduction

This letter outlines our terms of reference and estimated costs for the audit review that we will be required to complete as part of the annual audit of Taupō District Council for the financial years ending 30 June 2020 and 30 June 2021.

We will need to conduct a review of the Quantum programme to implement the Technology One Financial, Payroll, Rating and Regulatory Information Systems, to discharge our duty in accordance with recognised auditing standards. The focus of this review is on the project methodology and the controls and processes regarding the transition from one system to the other.

The statutory mandate for the audit as well as your and my responsibilities are covered in the Audit Engagement Letter in relation to the annual audits of the District Council's financial statements and performance information.

Acknowledgement

If you are in agreement with the arrangements, please sign the agreement at the end of this letter and return a signed copy to us.

2 Terms of reference for the additional audit work

2.1 Scope and our approach

The scope of the review for the Quantum Programme – Technology One system implementation Controls Assurance: includes the following:

- Project methodology and execution.
- User acceptance testing.
- Business rules and controls.
- Data migration plans and results.
- Update control environment; systems description and walkthrough tests.

Our approach will include five phases. The first three phases will be done by our Information Systems Audit and Assurance (ISAA) team and the last two phases by our attest audit team which also performs the annual audit.

The five phases are:

2.1.1 Project methodology and execution review phase (prior to go-live)

The objective of this phase is to assess whether:

- adequate project governance, roles, and responsibilities are in place;
- effective project planning and management are occurring;
- adequate project monitoring and reporting are in place; and
- adequate quality assurance is being undertaken.

To assist in this we would like to see the following documentation:

- business case approval;
- project planning and reporting;
- project steering group meeting minutes;
- stakeholder engagement communications;
- project variation approvals;
- pre go-live approval checklists;
- data migration strategy;

- user acceptance testing strategy; and
- any independent quality assurance reports.

2.1.2 User acceptance testing review phase (pre go-live)

The objective of this phase is to assess whether:

- sufficient testing has been performed to ensure that the business process and underlying systems still function in line with good practice; and
- sufficient security controls have been included in the design and implementation of the new system to ensure that data can be appropriately restricted.

To assist in this we would like to see the following documentation:

- user requirements documents;
- system design documents;
- training schedules;
- user acceptance testing and sign-offs; and
- user security test results.

2.1.3 Business rules and controls review phase (as at go-live)

The objective of this phase is to assess whether:

- key business process rules are functioning;
- security settings and arrangements reviewed in phase 2 have been implemented appropriately;
- user access is appropriate;
- sufficient audit trails are retained within the system;
- system interfaces are functioning effectively; and
- appropriate backup and recovery procedures are in place to ensure that the systems can be recovered in accordance with the needs of the business.

To assist in this phase we would like to see the following:

- documented roles and responsibilities;
- documented in-house and external support processes;

- documented policies;
- system and user documentation;
- support contracts and agreements;
- security configuration and parameters (must be produced at time of review);
- user access reports/output (must be produced at time of review);
- audit trail documentation;
- interface documentation;
- backup and recovery procedures and evidence of testing; and
- disaster recovery plan.

2.1.4 Data migration review phase

The objective of this phase is to assess whether:

- data that has been migrated to the new system is complete and accurate; and
- there is an appropriate strategy in place for managing historical data that is not migrated.

From the accounting perspective, the risks are as follow:

General ledger (GL) - the risks are that not all the transactions are transferred correctly or some fields in the transactions are dropped in the conversion process. As such we would like to see that, as a minimum:

- GL master data and GL transactions in the old system are compared with the new system.

Accounts payable - the risks are that wrong suppliers are paid, suppliers are paid more than the invoice amount, suppliers are paid less or suppliers are paid twice. As such we would like to see that, as a minimum:

- the list of outstanding accounts payable invoices is compared with the old system; and
- the vendor masterfile is compared to the old system, including vendor code, vendor bank account number, vendor name, etc.

Accounts receivable - the risks are that money received in past is not identified in the system, invoices raised in the past are not in the system, invoices raised in the past are recognised as paid in the system. As such we would like to see that, as a minimum:

- the list of accounts receivable balances are compared with the old system and;
- the list of outstanding accounts receivable invoices is compared with the old system.

HR/Payroll – the risks are that staff are not paid correctly, payments are made to invalid staff and that payroll balances are not brought forward correctly. As such we would like to see that, as a minimum:

- the staff payroll masterfile is compared to the old system, including staff bank account numbers, tax codes, leave balances etc.

Rates – the risks are that rates are not calculated correctly and outstanding balances are not brought forward accurately. As such we would like to see that, as a minimum:

- the rates masterfiles are compared to the old system, including valuations, rating factors etc.

Fixed Assets – the risks are that assets have not been transferred accurately and completely, and that valuations and depreciation calculations are not correct. As such we would like to see that, as a minimum:

- Fixed asset masterfile data including componentisation, useful lives and depreciation rates are compared between the old system and the new system.

Our approach will include:

- a review of the data migration testing procedures undertaken to ensure that data is complete and accurate; and
- a combination of controls and substantive tests to gain assurance that the migration was complete and accurate.

To assist in this phase please make available:

- the data migration strategy, including data that is not being migrated;
- the data migration test results and sign-offs; and
- the data migration reconciliation reports.

2.1.5 Update of control environment: systems description and walkthrough tests

The purpose of this phase is to update our understanding of the changes in the control environment and document and assess the key controls in place for all financial components that we intend to place reliance on for audit purposes. This will typically include:

- general financial systems and controls;

- revenue systems and controls;
- expenditure systems and controls;
- fixed assets systems and controls; and
- other systems and controls.

This audit work is normally completed as part of the annual audit when we roll forward previous year's work papers and update changes. Because the implementation of a new FMIS system will require us to revisit and document and evaluate the new systems' impact from scratch, we will require additional time that we factor in as part of this separate engagement.

3 Personnel

Our personnel involved in the management of the engagement are:

ISAA audit team:

Alan Clifford	ISAA Director
Robyn Dearlove	ISAA Manager

Attest audit team:

Leon Pieterse	Appointed Auditor
Liz Tomblason	Audit Manager
Bernard Lee	Assistant Manager

Other suitably qualified and experienced staff will be selected to conduct testing under the guidance of the Appointed Auditor and Audit Manager.

4 Timetable

4.1 Payroll component of Project Quantum

We propose our ISAA team commences with the review in November 2019. Our attest audit team proposes to review the data migration and update the new system descriptions and assessment of controls in late 2019 or early 2020. We will agree the specific timeframe for this with management at a later stage.

4.2 Remainder of the FMIS component of Project Quantum

We propose our ISAA team commences with the review in 2020. This will enable us to perform our initial audit assurance work before the project's go-live in 2021. Our attest audit team plan to review the data migration during a separate visit in 2021 and update the

new system descriptions and assessment of controls as an extension of the interim visits for the 2020/21 audit. We will agree the specific timeframe for this with management at a later stage.

5 Professional fees

Due to the difficulty in estimating the time and costs involved in this engagement we propose to bill based on reasonable actual time and costs. Our total estimate cost for the engagement is \$35,000 (excluding GST and disbursements). If the actual costs seem likely to differ from the amount in our estimate, we will discuss this with you prior to incurring any additional costs.

Please refer to Appendix 1 for details.

6 Conclusion

We look forward to completing and reporting on the assurance engagement. If you have any matters that we could clarify further for you, please contact me.

Yours sincerely

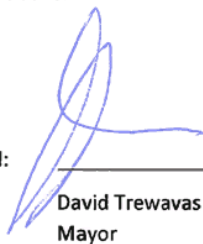


Leon Pieterse
Appointed Auditor

Agreement to be signed

I acknowledge the details of the assurance engagement set out above and I accept the audit fees as stated above.

Signed:



David Trewavas
Mayor

Date: 28.11.2019

Appendix 1: Estimates for this assurance engagement

Team mix and hours

The total estimated audit time is 211 hours. The breakdown of time and team mix are as follows:

ISAA audit team:

Team member	Hours
ISAA Director	4
ISAA Manager	34
Total : ISAA audit team	38

Attest audit team:

Team member	Hours
Appointed Auditor	12
Audit Manager	28
Other CA qualified staff	89
Non CA qualified staff	44
Total attest audit team	173

Application of resources**ISAA audit team:**

Nature of work	Hours and visits
Project Methodology and Execution (progressively monitored prior to go live)	12 hours
User Acceptance Testing (prior to go live)	8 hours
Business Rules and Controls (evidenced as at go live)	8 hours
Reporting and follow up	6 hours
Director Reviews	4 hours

Attest audit team (Payroll component of Project Quantum):

Nature of work	Hours and visits
Data Migration (testing to be performed after go live)	20 hours. This is a one-off, to be completed on site.
Update of control environment; document and evaluate new systems of internal controls. (This is the initial work that will be rolled forward and updated in subsequent audits) Identify key controls for reliance by audit. Perform walkthrough test and testing of key controls. This will also be done for the existing system that will operate for part of the 2019/20 financial year.	40 hours. This is a one-off, to be completed on site.
Manager reviews	14 hours, includes reporting.
Appointed Auditor reviews	6 hours.

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Attest audit team (remainder of FMIS component of Project Quantum):

Nature of work	Hours and visits
Data Migration (testing to be performed after go live)	24 hours. This is a one-off, to be completed on site.
Update of control environment; document and evaluate new systems of internal controls. (This is the initial work that will be rolled forward and updated in subsequent audits). Identify key controls for reliance by audit. Perform walkthrough test and testing of key controls. This will also be done for the existing system that will operate for part of the 2020/21 financial year.	49 hours. This will be completed by various levels of audit staff during the interim audit visits.
Manager reviews	14 hours, includes reporting.
Appointed Auditor reviews	6 hours.

Proposed audit fee

Based on the estimated hours our proposed fee for this engagement is as follows:

Structure of audit fees	Amount \$
ISAA audit team	\$10,980
Attest audit team	\$33,766
Total audit fee (excluding disbursements)	\$44,746
Discount	(9,746)
Billable audit fee	35,000
Estimated disbursements	\$5,000
Total billable audit fees and charges (excluding GST)	\$40,000
GST	\$6,000
Total billable audit fees and charges (including GST)	\$46,000

The audit fees allow for the audit team to carry out specific tasks identified in this letter. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.



Taupō District Council

Civil Defence Emergency Management

Capability Assessment Report

July 2019



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Executive Summary

The aim of this report is to detail the current state of Civil Defence Emergency Management (CDEM) capability for Taupō District Council as part of the Waikato CDEM Group monitoring and evaluation (M&E) process covering all Objectives and Key Performance Indicators (KPIs) for the Goals and Enablers as part of the National CDEM Strategy¹.

This report has been produced post review of Taupō District Council and Waikato CDEM Group information and documentation requested in June and July 2019, in conjunction with information obtained through the conduct of interviews with key staff within Taupō District Council in July 2019. These sources of information are the only sources of information that inform this report.

This report has been developed utilising the Objectives, KPIs and performance measures for CDEM Goals and Enablers detailed as part of the national CDEM Capability Assessment process. The overall rating is based on the weighted rating of the KPIs and Objectives for each Goal and Enabler.

The Taupō District Council overall score of **71.8%** identifies Taupō District Council CDEM as an advancing capability. This score highlights that further work to develop CDEM capability is required, but there is already significant commitment within Taupō District Council to improve CDEM capability.

There are areas across all the CDEM Goals and Enablers that have been identified as areas for improvement and areas of strength for Taupō District Council.

There is a strong CDEM culture within Taupō District Council as a result of the emphasis placed on CDEM through strong leadership within governance and management. Other strengths include the Antenna capability; community resilience and engagement activities; CDEM planning; the calibre of Local Controllers; current recovery planning through lessons learnt from the recent lake Terrace pipe event (Operation Trout); leadership and culture at all levels; the accountability of CDEM through the Emergency Management Standing Committee; and the excellent and well-established relationships in place.

There are several areas for improvement detailed in this report which are also highlighted in the recommendations of this report including the further availability of Taupō District hazard-specific information to the public; volunteer management at the local level; further development of robust 24/7 duty systems to support warnings and alerts; review and development of plans and Standard Operating Procedures; further development of exercises to support training; development of a 'whole-of-council' CDEM work programme; and finalisation of a Business Continuity Framework and subsequent plans.

There are a total of **thirty (30)** recommendations across all CDEM Goals and Enablers.

Taupō District Council's current projected path with CDEM, in consideration of the recommendations in this report, should meet with continued improvement in the future. CDEM capability is on track in the future to advance to a mature level of CDEM capability.

¹ National Civil Defence Emergency Management Strategy 2007

The 2007 (old) Strategy has been utilised to ensure the Waikato CDEM Group is able to compare results with previous M&E reports.



Introduction

The aim of this report is to detail the current state of CDEM capability for Taupō District Council as part of the Waikato CDEM Group M&E process covering all Objectives and KPIs for the Goals and Enablers as part of the National CDEM Strategy².

The Waikato CDEM Group requested that an out-of-programme CDEM M&E process be conducted. This is to provide an evidence-based snapshot of current progress benchmarked against previous CDEM M&E conducted for the Waikato CDEM Group. The conduct of this out-of-programme CDEM M&E will be used to inform the review of the Waikato CDEM Group Plan. This M&E process has been conducted independently, but in conjunction with the Ministry of Civil Defence & Emergency Management (MCDEM): Regional Emergency Management Advisor, Suzanne Vowles.

This report has been produced post review of Taupō District Council and Waikato CDEM Group information and documentation requested in June 2019, in conjunction with information obtained through the conduct of interviews with key staff within Taupō District Council in July 2019. These sources of information are the only sources of information that inform this report. This report has been drafted with moderation through the MCDEM.

Scope and development

This report has been developed utilising the Objectives, KPIs and performance measures for CDEM Goals and Enablers detailed as part of the national CDEM Capability Assessment Tool.

The CDEM Goals form part of the National CDEM Strategy. Each Goal and Enabler is categorised into Objectives and then KPIs with performance measures. An assessment rating at KPI and Objective level has been utilised to assess current Taupō District Council CDEM capability. There are some KPIs that have not been rated for the purpose of this report due to their relevance, however these KPIs are still detailed due to their inclusion in the overall CDEM Capability Assessment process. The overall rating is based on the weighted rating of the KPIs and Objectives for each Goal and Enabler.

A number of interviews were conducted with key personnel with direct accountabilities and responsibilities for CDEM at Taupō District Council, to enable an evaluation of the current state of CDEM for Taupō District Council to be made. Several group-interviews were also conducted. A summary of all the interviewees is detailed in Appendix 1.

A summary of all the documents and information reviewed as part of this review are detailed in Appendix 2 to this report. Only the documents detailed in Appendix 2 have informed this report.

² National Civil Defence Emergency Management Strategy 2007

The 2007 (old) Strategy has been utilised to ensure the Waikato CDEM Group is able to compare results with previous M&E reports.



For each of the KPIs and associated measures, the CDEM Capability Assessment Scoring Guide has been used. The six level coloured scale links directly to a “frequency scale of never, infrequently, sometimes, often, mostly and always (See Figure 1).

Score	Frequency scale	Achievement scale	Arrangements scale
NO (0%)	Never	Not achieved, no progress, no sign of forward action	No arrangements in place
20%	Infrequently	Minor progress, with few signs of forward action in plans or policy	Arrangements are either old, in the early stages of development, or have considerable doubts about their
40%	Sometimes	Some progress, but without systematic policy and/or organisational commitment	Some work completed but requires further work to develop, test, verify and/or embed in the organisation
60%	Often	Organisational commitment attained or considerable progress made, but achievements are not yet comprehensive of needs or requirements	Informal and/or untested arrangements in place, but with a high degree of confidence they will be effective, OR, formal and/or tested arrangements but with further work
80%	Mostly	Substantial achievement but with some recognised limitations in capacities, capabilities and/or resources	Formalised arrangements, tested, mostly effective, mostly reliable, and largely embedded within the organisation
YES (100%)	Always	Comprehensive achievement with sustained commitment and capacities at all levels	Formalised arrangements, tested, effective, reliable, and embedded within the organisation

Figure 1: Scoring Guide

This scale also links to the attributes of developing, advancing and mature with reference to the CDEM Capability Assessment Report: Part 1, August 2012 (See Figure 2).

unsatisfactory	developing		advancing	mature	
0 – 20%	21 – 40%	41 – 60%	60 – 80%	81 – 90%	90 – 100%

Figure 2: Developing, advancing and mature score percentages

The key descriptors are:

- ‘Developing’ organisations are said to practice traditional ‘civil defence’, with a focus on facilities, staffing, equipment, and procedures. These organisations comply with the CDEM Act – minimally; they rely on individuals, are reactive to needs, and CDEM usually struggles for resources and priority.
- ‘Advancing’ organisations are said to practice ‘emergency management’, with a mix of internal capability building, and externally facing programmes. These organisations comprehensively implement the requirements of the CDEM Act, with a range of programmes becoming coordinated within the organisation.
- ‘Mature’ organisations are said to practice more holistic ‘public safety’, with a focus on strategic community resilience building. These organisations go beyond the CDEM Act into acting for ‘public good’. Their processes and procedures are systemic, and CDEM is integrated within and across organisations.



General Observations

At the time of the conduct of the M&E process for Taupō District Council, there were ongoing response and recovery activities occurring as a result of the wastewater pipe break on Lake Terrace (Operation Trout) and also the subsidence and subsequent Crown Road closure (Crown Road Subsidence Event, both in early July 2019). A debriefing process for these events was still to be conducted, but there were a number of initial lessons learnt that were discussed and have been included in components of this report.

Taupō District Council has unique boundary relationships and is the only local authority in the Waikato CDEM Group to have boundaries with three other CDEM Groups: Bay of Plenty, Hawke's Bay and Manawatu-Wanganui. The requirement for cross-CDEM boundary relationships, due to Taupō District's geography, are recognised as a priority and essential in the development of CDEM capability.

Taupō District Council's hazardscape dictates priority and a focus on the hazards and the reality of their impacts. All levels of Taupō District Council: governance, management and council staff understand the hazardscape for Taupō District and the priority for CDEM planning across the '4Rs'. The level of emphasis placed on CDEM in Taupō District Council is highlighted through the Emergency Management Standing Committee, which has been established as an in-council committee to provide governance and oversight of planning, coordination and delivery of CDEM for Taupō District³. This level of governance at the local level is considered rare and provides accountability for CDEM not only within Taupō District Council but for Taupō District as a whole. This CDEM governance model is one that should be considered for accountability and oversight of CDEM by all local authorities.

Taupō District Council recognises that CDEM is about relationships. The Council has a strong CDEM capability and understanding of its communities. Strong connections have been established with communities and there is recognition of the importance of establishing and maintaining community and partner agency relationships. Taupō District Council's recognition of developing meaningful relationships with iwi provides further strength in capability and understanding of communities.

There are dedicated staff that are part of the core CDEM Team which includes the CDEM professional staff and Taupō District Council staff appointed into CDEM positions. The prioritisation and development of CDEM capability has also enhanced CDEM culture. There is a willingness and 'can-do' attitude of Taupō District Council staff to assist in response regardless of the scale of the incident or event.

This CDEM Capability Assessment Report for Taupō District Council is an evidence-based snapshot for CDEM designed to shape the future development of CDEM capability.

³ Taupō District Council Emergency Management Standing Committee Terms of Reference and Delegations for Council Committees



Goal One Increasing community awareness, understanding, preparedness and participation in CDEM.

This section of the report focuses on the following activities;

- Public education, awareness and preparedness
- Public information management
- Community resilience
- Investing in communities and developing social capital
- Volunteer programmes
- Promulgation of hazard risk information to communities.



The overall score for Goal 1 is 79.2% which reflects an advancing capability. Organisational commitment has been attained and some arrangements are in place, but achievements are not yet comprehensive.

Goal 1: To increase community awareness, understanding, preparedness and participation in CDEM			TDC Score
Weighted Score by Key Performance Indicator			
G1A-1	Public education programme on hazards and risks is planned, coordinated and given priority by the organisation		66.0
G1A-2	Awareness-building opportunities are proactively pursued		84.3
G1A-3	Public information management is planned, coordinated and given priority by the organisation		90.0
G1A-4	Public information manager is appointed and resourced to be able to do the job		95.3
G1B-1	A deliberate, strategic, and coordinated approach to community resilience is taken		73.8
G1B-2	Community resilience and related programmes are monitored and reviewed		60.0
G1B-3	The preparedness message is disseminated using multiple methods		86.7
G1C-1	Communities are supported to enhance their capacity and capability		84.4
G1C-2	Social capital is invested in as a method of enhancing community resilience		80.0
G1C-3	Volunteer participation in CDEM is supported and encouraged		71.4
G1D-1	Information on hazards and risks is readily available to the public		70.0
G1D-2	Community input on hazard risk management is sought, and 'acceptable levels of risk' defined		80.0
Weighted Score by Objective			
G1A	Increase the level of community awareness and understanding of the risks from hazards		83.2
G1B	Improve individual and community preparedness		76.2
G1C	Improve community participation in CDEM		79.2
G1D	Encourage and enable wider community participation in hazard risk management decisions		75.0
Weighted Score by Goal			
G1	To increase community awareness, understanding, preparedness and participation in civil defence emergency management		79.2

Table 2: Goal 1 scores by Key Performance Indicator and Objective



General – Current State

Public education

There is general CDEM and preparedness information available to the general public via the Taupō District website, through the Civil Defence webpage with links to other relevant websites including MCDEM and Waikato CDEM Group. There is referral to general hazard information of relevance for the Taupō District. Whilst this information covers basic information, further development of this webpage to include links to further support Taupō District's hazardscape including more detailed scientific information and how these hazards may impact communities. CDEM information where relevant is also included as part of the Taupō District Council Facebook page. The recent events associated with the waste water spill have been extensively covered to provide the public with up to date information on recovery and infrastructure processes.

There have been an extensive number of public education activities that have been conducted in the last year including presentations to community groups, schools, Early Child Centres, aged care, church groups and youth groups; advertising through radio, cinemas and shops; and the inclusion of CDEM preparedness in community newsletters. Public education activities are coordinated through a calendar of planned activities and is linked closely with community engagement. There are established relationships with the wider CDEM Group through the Community Outreach Advisory Group. Aside from the calendar coordination of public education activities, there is no formal public education programme. A public education programme should also include integration with community engagement and resilience activities.

Public information management

There are trained and well-practised Public information management (PIM) staff in the Taupō District Council Communications Team to provide a high level of PIM capability. Staff in the Communications Team can provide a wide-range of communications capability to support the PIM capability, including digital and social media expertise. There is a PIM plan to effectively support PIM as part of a response to an emergency or event. The Communications Team work closely with the senior CDEM professional staff member on preparedness campaigns and public education. The Communications team in their PIM role regularly provide weather related information and share Group level information on events and CDEM education campaigns.

The Antenno capability for community alerting is also promoted as part of public education in the Taupō District. Antenno is promoted as a free service for information related to CDEM and council services including rubbish and recycling collection and road closures. Antenno is viewed as an excellent platform to integrate CDEM in everyday council services for the public. Antenno also has the capability for the public to report information to council. This will be a valuable tool in the gathering of intelligence for situational awareness to inform decision making in an incident or event response.

The Communications Team has established relationships with partner agencies and media including local newspapers and radio stations. There are established relationships with the wider CDEM Group through the PIM Group.



Community Resilience

Taupō District Council has strong community resilience and engagement practices in place. The senior CDEM professional staff member is very well connected in the community and regularly conducts CDEM engagement with a wide range of community groups including business, schools, Early Childhood Centres (ECEs), neighbourhood, church, youth groups. The commitment to the communities in Taupō District and the range of CDEM community engagement activities conducted is impressive and is to be commended. Community engagement activities are both reactive and proactive with the senior CDEM professional staff member actively seeking opportunities for community engagement. With the level of engagement activities that are conducted by one individual there is a risk in the redundancy of this capability with most of the community knowledge, the trust and mana of communities being held by one individual. Ensuring there are several staff to support CDEM community engagement activities and documented processes and the development of a community contact database are mitigation strategies to be considered to reduce the risk of one sole individual providing this level of capability.

There is a Community Engagement Strategy⁴ for Taupō District Council with a focus on working collaboratively with communities and relevant organisations to address issues affecting the well-being of communities. This strategy, with its action plan, provides a well-rounded approach to community engagement at national, regional and local levels. The M&E interviews highlighted the importance of planning with communities. Defining vulnerable communities; the level of resilience in communities and the appropriate means for dissemination of messages to communities were key considerations in community planning and engagement. Taupō District Council understands the importance of linking community development to CDEM community engagement activities. The Community Engagement Strategy is a good platform for linking council community engagement and CDEM community engagement activities to ensure there is a consistent, coordinated 'whole-of-council' approach.

The development of Community Response Plans (CRPs) in the Taupō District is ongoing. A number of CRPs which are owned and kept by each community have been developed including Omori Kuratau, Oruanui, Kinloch, Rangitaki, and Wairakei communities.

Social capital, the integration and consideration of culture is also strong in Taupō District. The development of iwi engagement with Taupō District Council and the understanding of the importance of the processes in iwi engagement is a strength. Recognition of iwi's role in recovery activities and stakeholder recovery is considered noteworthy initiative. Taupō District Council has also developed a programme tailored to marae preparedness planning. This marae preparedness programme was initiated with Tūwharetoa Māori Trust Board support and endorsement; with the programme involving a multi-agency approach between Taupō District Council, Fire and Emergency New Zealand (FENZ) and health through the conduct of presentations. This approach and development of relationships transitions into marae preparedness planning. This programme is a sound, well planned approach to develop marae preparedness plans and trusted relationships. The development of marae preparedness planning beyond just the plan is to be commended and a model that should be further developed and shared widely both within the Waikato CDEM Group and nationally.

⁴ Taupō District Council Community Engagement Strategy



Volunteer participation, coordination and management

Volunteer participation in CDEM for Taupō District Council is supported through the Waikato CDEM Group⁵ utilising Volunteering Waikato. It is recognised that there is a Group-wide focus on centralising the management of volunteers. Although this guidance for the management of volunteers is in place at the Group level, there is still requirement for a local level process that links to the Group processes. There is currently no formalised process in place for management and referral of all volunteers at the local level. Processes for the management of volunteers (spontaneous volunteers) at the local level does not need to be extensive, but a documented process with contact details and referral should alleviate confusion and provide a process where all enquires are valued and followed-up.

Taupō District Council has a Rescue Emergency Response Team (NZ-RT06). The commitment to support NZ-RT06 through Taupō District Council is ongoing and this team has been deployed on numerous occasions to support event response for Taupō District Council and also other local authority responses. It is acknowledged that there are online processes in place via the Taupō District Council website to register interest in becoming a member of this team, but these processes are only for registering interest in the response team and not for interest in becoming a volunteer in general.

Overall, there has been significant progress made in this function through the development of the suite of documents included in the Waikato CDEM Group Volunteer Management Manual. How these Group-wide processes link to local processes to cater for volunteer enquires is a gap that requires planning.

Areas of strength

PIM/ Communications

The Antenno capability for community alerting in the Taupō District is to be commended. Antenno is viewed as an excellent platform to integrate CDEM in everyday council services for the public which integrates this capability through all scales of the continuum from Business-as-usual (BAU) – Incident – Crisis - CDEM emergency. The ability for Antenno to be utilised by the public to report information back to council is also viewed as an excellent mechanism and a valuable tool in the gathering of intelligence for situational awareness to inform decision making in an incident or event response.

Community Resilience

Taupō District Council has strong community resilience and engagement practices in place. Social capital, the integration and consideration of culture is also strong in Taupō District. The development of iwi engagement with Taupō District Council and the understanding of the importance of the processes in iwi engagement is a strength. The commitment to the communities in Taupō District and the range of CDEM community engagement activities conducted by the senior CDEM professional staff member is impressive and is to be commended.

⁵ Waikato CDEM Group Volunteer Management Manual



Areas for improvement

Public education

There is referral to general hazard specific information of relevance for the Taupō District. Easily access to specific hazard information for Taupō District communities and the public would contribute to having an informed community who can more actively engage in community response planning as well as having an overall awareness for hazards.

Community Resilience

The level of CDEM community engagement activities that are conducted solely by the senior CDEM professional staff member highlights a risk in the redundancy of this capability. Most of the community knowledge; and the trust and mana of communities is held by one individual. Ensuring there are several staff to support CDEM community engagement activities; documented processes; and the development of a community contact database are mitigation strategies to be considered to reduce this risk.

Volunteer participation, coordination and management

Volunteer participation in CDEM for Taupō District Council is supported through the Waikato CDEM Group utilising Volunteering Waikato. It is recognised that there is a Group-wide focus on centralising the management of volunteers. Although this guidance for the management of volunteers is in place at the Group level, there is still requirement for a local level process that links to the Group processes.

Recommendations

The following recommendations are made to be considered for review and inclusion in a Taupō District Council CDEM Work Programme:

- Development of a Public Education Programme with alignment to the Community Engagement Strategy.
- Further development of hazard information specific to Taupō District and review of the platforms to support the availability of this information to the public.
- Further development of a Community Engagement Strategy including CDEM community engagement activities.
- Development of CDEM community engagement processes.
- Development of a community engagement contact database.
- Ensure that local volunteer management processes are linked to the Group level guidance and processes.



Goal Two: Reducing the risks from hazards

This section of the report focuses on the following activities;

- Emergency management research
- Hazard risk research and analysis
- Risk assessment
- Risk reduction programmes
- Hazard risk monitoring.



The overall score for Goal 2 is 72.2% which reflects an advancing capability. Organisational commitment has been attained and some arrangements are in place, but achievements are not yet comprehensive.

Goal 2: To reduce the risks from hazards to New Zealand			TDC Score
Weighted Score by Key Performance Indicator			
G2A-1	EM research is undertaken, assessed, and analysed		73.3
G2A-2	EM research is applied		76.0
G2B-1	Hazard risks are understood through ongoing research		76.7
G2B-2	Hazard risks are analysed to determine local impact		77.1
G2B-3	Hazard risk information informs organisational plans, priorities, and expenditure		76.0
G2C-1	Viable risk reduction options are identified, evaluated, and used to inform planning		70.0
G2C-2	Implementation of risk reduction programmes is inclusive and coordinated		68.0
G2C-3	Hazards, vulnerabilities, and risks are monitored on an ongoing basis		60.0
Weighted Score by Objective			
G2A	Improve the coordination, promotion and accessibility of CDEM research		64.7
G2B	Develop a comprehensive understanding of New Zealand's hazardscape		76.6
G2C	Encourage all CDEM stakeholders to reduce the risks from hazards to acceptable levels		67.2
Weighted Score by Goal			
G2	To reduce the risks from hazards to New Zealand		72.2

Table 3: Goal 2 scores by Key Performance Indicator and Objective



General – Current State

Emergency management research

There is recognition of the value of emergency management research to inform Taupō District Council CDEM strategies, plans and activities. Taupō District Council does collaborate with research and science agencies to inform CDEM policy and planning. Taupō District Council is committed to supporting emergency management research and provides support to caldera research projects and is financially committed to Hipaua Geothermal Area monitoring and research. The relationships with science agencies are robust and essential given the Taupō District hazardscape. The council participates in a number of forums and advisory groups including the Central Plateau Volcanic Advisory Group and the Caldera Advisory Group.

Hazard risk research

Taupō District Council does have an extensive understanding of the local hazardscape and the risks associated with this hazardscape. The M&E interview process highlighted that were examples of where further risk research had been undertaken where there were knowledge gaps, relating to earthquakes, liquefaction, flooding and climate change. Taupō District Council has an awareness of the relevant hazard risks and residual risks impacting Taupō District Council. Communities are informed about their level of hazard risk through community engagement and public education activities.

Risk reduction

Strategic development planning (growth planning) is informed by prior and planned risk reduction activities. An example of this level of planning was highlighted with sub-division development with consideration for storm water run-off, fault lines and land subsidence. Risk reduction as a result of hazard research is recognised across Taupō District Council. Risk reduction options are evaluated against risk reduction principles and has mechanisms in place to discuss hazard risk both internally and externally with scientific agencies. There are very effective hazard monitoring systems in place to provide early warning including flooding and lahars. There are identified linkages between council planning and CDEM staff.

**Areas of strength**Emergency management and hazard research

The collaboration on emergency management research and established relationships with science agencies is a strength for Taupō District Council. Due to the extensive understanding and awareness of the Taupō District hazardscape there is a priority on ensuring that there are meaningful relationships with all agencies that provide research on Taupō District hazards. There is an evidence-based approach to CDEM planning. Due to the level of collaboration with science agencies and extensive research conducted within the Taupō District, there are effective systems to document and report on all emergency management and hazard research within Taupō District Council.

Areas for improvementEmergency management research

Consideration should be given for inclusion of emergency management research in future Taupō District Council CDEM work programmes to inform further development of CDEM plans and policies.

Recommendations

The following recommendations are made to be considered for review and inclusion in a Taupō District Council CDEM Work Programme:

- Consideration for the inclusion of emergency management research in future Taupō District Council CDEM work programmes to inform CDEM planning and capability development.



Goal Three: Enhancing capability to manage emergencies

This section of the report focuses on the following activities;

- Capability development and exercising
- CDEM planning
- Collaboration and cooperation
- Exercises
- Emergency operation centres
- Warning systems
- Multi agency communications
- Controllers
- Critical resources and logistics
- Local welfare

2019			75.4	
	unsatisfactory	developing	advancing	mature

The overall score for Goal 3 is 75.4% which reflects an advancing capability. Organisational commitment has been attained and some arrangements are in place, but achievements are not yet comprehensive.

Goal 3: To enhance New Zealand's capability to manage civil defence emergencies			TDC Score
Weighted Score by Key Performance Indicator			
G3A-1	Capability development strategy and programmes are developed according to organisational needs		44.0
G3A-2	Capability development programmes are comprehensively implemented and evaluated		68.6
G3A-3	Exercising is effective in improving capability		57.8
G3A-4	Exercising is integrated across organisations and levels		52.0
G3B-1	Local CDEM planning is integrated and aligned across agencies		66.3
G3B-2	CDEM Group member agencies work together cooperatively and collaboratively		N/A
G3B-3a	Emergency operating centres (EOC/ECC) have appropriate facilities		80.0
G3B-3b	Emergency operating centres (EOC/ECC) are staffed adequately		84.4
G3B-3c	Emergency operating centres (EOC/ECC) are resourced and operated efficiently		72.5
G3B-4	Warning systems are in place and are maintained and effective		96.3
G3B-5	Communication with partner agencies is able to be maintained in an emergency		92.0
G3B-6	Controllers are able to provide effective leadership		95.0
G3B-7	Critical resources can be sourced rapidly in response to an emergency		66.0
G3B-8	Logistics processes are in place to manage resources effectively in an emergency		54.3
G3B-9a	Group welfare planning is comprehensive and coordinated		N/A
G3B-9b	Local welfare planning is comprehensive and coordinated		62.2
G3B-9c	Welfare is able to be provided to affected communities in a timely, effective manner		72.0
G3B-10	Lifeline utilities are coordinated in response		N/A
Weighted Score by Objective			
G3A	Promote continuing and coordinated professional development in CDEM		57.1
G3B	Enhance the ability of CDEM Groups to prepare for and manage civil defence emergencies		78.6
Weighted Score by Goal			
G3	To enhance New Zealand's capability to manage civil defence emergencies		75.4

Table 4: Goal 3 scores by Key Performance Indicator and Objective



General – Current State

At the time of the conduct of the M&E process for Taupō District Council, there were ongoing response and recovery activities occurring as a result of the wastewater pipe break on Lake Terrace (Operation Trout) and the subsidence and subsequent Crown Road closure (Crown Road Subsidence Event), both in early July 2019. Due to the timing, the response to both these events occurred concurrently. Even though there was not a declared CDEM emergency, the M&E interviews highlighted that there will be significant lessons learnt from these events.

Capability Development

There is no specific overall Capability Development Strategy for Taupō District Council, but capability development is captured in the Waikato CDEM Group Training and Exercise Plan⁶. The development of an 'whole-of-council' CDEM work programme to document and enhance CDEM capability including CDEM training for staff, public education, community engagement, EOC response and welfare Civil Defence Centre (CDC) review and planning would contribute to documenting CDEM capability development of Taupō District Council. The development of a formalised local level Training and Exercise Plan and Programme would also support CDEM capability development.

CDEM planning

A Taupō District Council CDEM Plan has been developed⁷, but it was highlighted that this plan is currently being reviewed and updated. This plan is considered an excellent platform for the further development of CDEM for Taupō District Council. This plan is linked to appropriate legislation and has detail for partner agencies as the lead agency depending on the type of event. The detailed interpretation of legislation, including new legislation, and what this means for the strategic direction of the CDEM plan should be considered as part of the review to this plan. This plan (post review) should be developed as the strategic level document and the platform for the further development of the more operational plans to support this overarching plan. Future development of this plan should also ensure links to other CDEM plans including Response, Public Education, Community engagement and Recovery at the local level.

Emergency planning is conducted extensively in the community and Taupō District. There are a number of operational level plans that are linked to Taupō District Council including Volcanic Ashfall Plan, The Ruapehu Lahar Northern Emergency Management Plan, Eastern Ruapehu Lahar Alert Warning System and Waihi Landslide Plan. Emergency and evacuation plans have also been developed with several Early Childhood providers and schools. The review of the Taupō District Council CDEM Plan should also include referral to these and other relevant operational plans.

⁶ Waikato CDEM Group Training and Exercise Calendar 2019

⁷ Taupō District Council CDEM Plan, June 2012



Taupō District Council CDEM Sub-Plans have also been developed for Mangakino⁸ and Turangi⁹ with the approach that the Taupō District Council CDEM Plan provides overarching guidance to these Sub-Plans. Both plans are in draft to support arrangements for each of these areas and any activation of Regional Coordination Centres (RCCs) to support Taupō District Council event response.

Exercises and training

The conduct of training for Taupō District Council staff is mainly through the Integrated Training Framework (ITF) courses coordinated at GEMO level through a programme of ITF training for the Waikato CDEM Group.¹⁰ The majority of Taupō District Council staff allocated EOC function positions in the Emergency Operations Centre (EOC) have completed ITF training¹¹. The challenge of maintaining appropriate levels of trained staff was also highlighted due to the churn of staff. Staff churn has been acknowledged hence the continued focus and maintenance of a training regime. Taupō District Council management recognises the importance of, and supports CDEM training with the requirements for CDEM response included in all Taupō District Council job descriptions.

In the last year, Taupō District Council have completed Operation Gumboot, a Tier 1 exercise, which focused on EOC response. Taupō District Council staff have also participated in other local authority CDEM exercises including Ruapehu District Council's exercise in May 2019. There is currently no local level exercise programme in place for Taupō District Council, but exercise opportunities external to Taupō District Council are utilised as much as possible for training of staff. The development of an exercise programme with internal and external to Taupō District Council exercises in conjunction with training conducted would provide a formalised platform for consolidating training for staff.

Emergency Operation Centre

The Emergency Operations Centre (EOC) primary is a dedicated site location located on Rifle Range Road, Taupō and is assessed as 'fit for purpose'. The EOC layout allows for designated areas for CIMS functions. This facility would ideally suit a smaller scale response due to the space of the EOC. Planning for a larger scale response has been conducted with an alternate EOC site identified. This alternate site is the Great Lake Centre (5 Story PL, Taupō), but this facility has not been tested. A new EOC will be built as part of the Taupō District Council building project. This new EOC will be of IL4 standard. The CDEM professional staff member is currently conducting reviews of other recent EOC and Emergency Coordination Centre builds to ensure that project management lessons learnt from these builds are considered in planning for the new Taupō District Council EOC build.

⁸ Taupō District Council Mangakino Sub-Plan, 01 May 2019 (draft)

⁹ Taupō District Council Turangi Sub-Plan, 01 April 2019 (draft)

¹⁰ Waikato CDEM Group ITF training dates

¹¹ Taupō District Council Training Excel Spreadsheet
Taupō District Council EOC Staff Details Excel Spreadsheet



There are EOC Standard Operating Procedures (SOPs) including EOC activation procedures and set-up kits for each EOC function including EOC compendium checklists for all Coordinating Incident Management Systems (CIMS) positions. The development of other SOPs to support EOC operations including EOC activation and deactivation; Message and information management (incoming and outgoing); Transition from Response to Recovery; Equipment operation and testing; and EOC operational tempo should also be considered to add a layer of redundancy in the absence of the CDEM professional staff. Additional development of SOPs may also be required on move to a new EOC facility may be required including specific facility procedures.

There is a strong base of trained council staff allocated that could provide an effective capability to support EOC response operations. There is a confidence in Taupō District Council's ability to initially respond to an event which has been reinforced through training and EOC exercising. The M&E interviews highlighted that there is a confidence that Taupō District Council can sustain two shifts of ITF trained staff for an EOC¹². The intent to enhance capability to be able to sustain three shifts of staff for an EOC capability.

Warning systems

There are processes in place to receipt and provide 24/7 information and warning messages for Taupō District Council. Warning systems are also detailed in the Taupō District Council CDEM Plan.¹³ Public warning mechanisms include: Taupō District Council website, local radio station messages, social media and media releases. The main point of contact for duty and action of warning systems is the senior CDEM professional staff member, as a part of the Emergency Planning Unit. The issue of sustainability of this current system requires review to ensure that there are more robust process and staff to fulfil this role beyond one individual.

Local Controllers

There are currently four appointed Local Controllers for Taupō District Council (Head of Democracy, Governance and Venues, Head of Community, Culture and Heritage, Head of Economic Development and Business Transformation, CDEM Contractor). All Local Controllers are trained with three having recently completed the Response and Recovery Leadership Programme. The M&E interviews highlighted that there is a high level of confidence and trust that these Local Controllers can effectively lead response to an event or incident, but it was acknowledged during the M&E interviews that three of the Local Controllers were relatively new with limited real event experience. The importance of imparting knowledge from the senior Local Controller (Head of Democracy, Governance and Venues) and also shadowing other Local Controllers in the Waikato CDEM Group with their event response was highlighted along with utilising all opportunities, regardless of incident scale, to practice the Controller skill set.

¹² Taupō District Council EOC Staff Details Excel Spreadsheet

¹³ Taupō District Council CDEM Plan, June 2012



The interviews also highlighted that although they were not directly in Controllers roles, the application of their Controller training was already being utilised during the recent Taupō waste water event. The Local Controllers attend the Waikato CDEM Group Controller Forum which is a positive forum for professional development and also to develop relationships with other Controllers. There was also recognition of the importance of developing relationships with partner agencies and building on relationships within Taupō District Council. The number of, shared-enthusiasm, commitment and the calibre of the Local Controller capability is a strength for Taupō District Council. The emphasis on appointment and training for Local Controllers strengthens Taupō District Council response capability and redundancy in this space.

Welfare

There is an appointed Local Welfare Manager. The importance of this role has been recognised by Taupō District Council with remuneration for this role as part of BAU. Further definition of time allocation for the Local Welfare Manager and BAU are required. Alternate Local Welfare Managers and staff for a welfare team have been identified, but these appointments are to be confirmed. Only the primary Welfare Manager has conducted training at this time.

A Local Welfare Plan has been developed for Taupō District Council.¹⁴ This plan includes local welfare agency roles and responsibilities in line with the welfare sub-functions¹⁵ and arrangements for the Local Welfare Committee including a Terms of Reference (TOR). The Local Welfare Manager acknowledged support from the Group Welfare Manager in the development of this plan. Some consultation on this plan has been conducted with the Local Welfare Committee (LWC).

Assessment of possible Civil Defence Centres (CDCs) for the Taupō District are being conducted. There is also a CDC activation checklist and staff job descriptions as part of the Local Welfare Plan. Linking further work with Taupō District Council CDC assessments with the wider Waikato CDEM Group CDC Project¹⁶ would assist in the further development of this element of welfare capability.

There is an established Local Welfare Committee (LWC) in Taupō. The cross-boundary issues with partner agencies were highlighted by the Local Welfare Manager, however there are well established and good BAU relationships with partner agencies. The relationships with key agencies provide a strong basis for the collective development of welfare capability.

¹⁴ Taupō District Council Local Welfare District Plan 2017-2010, June 2017

¹⁵ Welfare sub-functions: Registration, Needs Assessment, Inquiry, Care and protection services to children and young people, Psychosocial support, Household goods and services, Shelter and accommodation, Financial Assistance and Animal welfare. Welfare Services in an Emergency: Director's Guideline for CDEM Groups and agencies with responsibilities for welfare services in an emergency (DGL 11/15)

¹⁶ Waikato CDEM Group Civil Defence Centre Project, Welfare Coordination Group, October 2015



Areas of strength

CDEM planning

Emergency planning is conducted extensively in the community and Taupō District including the development of the Taupō District Council CDEM Plan, Sub-Plans and emergency and evacuation plans. It is recognised that some of these plans require review. The review of plans should ensure that relevant updated legislation and its meaning is included along with alignment to the Waikato CDEM Group Plan; other guidance at the Group and national level; and referral to other relevant operational plans.

Local Controllers

The number of, shared-enthusiasm, commitment and the calibre of the Local Controller capability is a strength for Taupō District Council. There is a high level of confidence and trust that these Local Controllers can effectively led response to an event or incident. The importance of imparting knowledge from the senior Local Controller (Head of Democracy, Governance and Venues) and also shadowing other Local Controllers in the Waikato CDEM Group with their event response was highlighted along with utilising all opportunities, regardless of incident scale, to practice the Controller skill set.

Areas for improvement

Warning systems

The issue of sustainability of the current 24/7 duty system requires review. The reality of having one main person as the main point of contact was highlighted the recent wastewater pipe break on Lake Terrace and also the subsidence and subsequent Crown Road closure incidents where the senior CDEM professional staff member quickly become over committed due to the evolving incidents. Ensuring a 24/7 system with more staff, perhaps including Local Controllers, supported with an SOP for warning systems is considered a more robust and sustainable option for any incident or event.

Capability Development

Although the high volume of CDEM activities contribute overall to CDEM capability development. The development of a formalised local level Training and Exercise Plan and Programme with alignment to Group guidance would also support CDEM capability development. The development of an 'whole-of-council' CDEM work programme would also enhance CDEM capability across the '4Rs'.

Emergency Operation Centre SOPs

A stocktake of all SOPs covering all EOC operations is required to ensure other SOPs to support EOC operations are in place. Ensuring that there are sufficient EOC SOPs to cover all EOC systems and processes provide a layer of redundancy in the absence of the CDEM professional staff.



Exercises and training

Training and exercising is viewed as a priority within Taupō District Council, but a formalised local level Training and Exercise Plan and Programme with clear pathways between training and consolidation of training through programmed exercises, with a focus on (Tier 1 and 2 exercises) would enhance personal staff development as well as the wider EOC capability. Inter-local authority exercising across CDEM Group borders would confirm MOU arrangements and enhance Taupō District Council response capability. These inter-CDEM Group / local-authority relationships should be tested. A Tier 3 (inter-CDEM Group) exercise testing these cross-boundary relationships is recommended.

Recommendations

The following recommendations are made to be considered for review and inclusion in a Taupō District Council CDEM Work Programme:

- Review of all relevant Taupō District Council CDEM plans with alignment to other operational plans; Group and national guidance; and legislation.
- Development of operational plans (if required) to support CDEM capability with alignment to the Waikato CDEM Group Plan.
- Ensure that effective professional development and sharing of knowledge is implemented for the newly appointed Local Controllers.
- Utilising all opportunities for Local Controllers to gain experience, regardless of incident scale, to practice the Controller skill-set.
- Develop a robust 24/7 system with additional staff resources.
- Develop an SOP for warning systems to compliment the 24/7 duty system.
- Development of a Training and Exercise Plan and Programme, with alignment to the Waikato CDEM Group Training and Exercise programme.
- Development of a 'whole-of-council' CDEM work programmes across the '4Rs' with alignment Waikato CDEM Group Plan and work programmes (See Enabler 1).
- Review and further development of EOC SOPs to support response capability including EOC systems and processes.
- Confirmation and appointment of alternate Local Welfare Managers.



Goal Four Enhancing capability to recover from emergencies

This section of the report focuses on the following activities;

- Recovery structures
- Recovery planning (and integration with other planning processes)
- Transition from response to recovery
- Impact assessment
- Recovery centres
- Integration of the community with the recovery process
- Information management
- Debriefing / learning from past events



The overall score for Goal 4 is 71.6% which reflects an advancing capability. Organisational commitment has been attained and some arrangements are in place, but achievements are not yet comprehensive.

Goal 4: To enhance New Zealand's capability to recover from civil defence emergencies			TDC Score
Weighted Score by Key Performance Indicator			
G4A-1	Structures, roles and responsibilities for recovery are pre-determined and documented		66.0
G4A-2	Recovery Managers are identified, trained, supported and ready to perform the role		82.7
G4A-3	Recovery Plan outlines arrangements for holistic recovery management		82.0
G4A-4	Recovery planning is integrated with risk reduction and other community planning		65.0
G4A-5	Arrangements for the transition from response to recovery are pre-defined		82.5
G4B-1	Impact assessments are conducted before, during and after events in order to inform recovery planning and management		62.9
G4B-2	Plans and procedures for establishing a recovery centre or 'one-stop shop' are in place		52.0
G4B-3	The community is an integral part of recovery planning and management		66.7
G4B-4	Information management systems are effective in supporting recovery management		80.0
G4B-5	Processes for learning from emergencies are embedded in the organisation		76.0
Weighted Score by Objective			
G4A	Implement effective recovery planning activities		75.6
G4B	Enhance the ability of agencies to manage the recovery process		67.5
Weighted Score by Goal			
G4	To enhance New Zealand's capability to recover from civil defence emergencies		71.6

Table 4: Goal 5 scores by Key Performance Indicator and Objective



General – Current State

Taupō District Council is currently conducting recovery operations post the recent wastewater pipe break on Lake Terrace (Operation Trout) and the subsidence and subsequent Crown Road closure (Crown Road Subsidence Event) closure. The recovery activities that have been conducted have had considerations across all recovery environments. Already highlighted as a lesson learnt is the requirement for consideration of stakeholder recovery. How a local authority recovers from and rebuilds relationships with key stakeholder groups post event is a key consideration. Taupō District Council is currently conducting engagement with iwi partners and stakeholders as a result of the wastewater pipe break on Lake Terrace event (Operation Trout) due to the impact of pollution in Lake Taupō and what this means culturally. Co-decision making with iwi 'at the table' was highlighted as essential and enhancement of stakeholder recovery.

Recovery Planning

There is a Taupō District Council Local Recovery Plan¹⁷ which encompasses all the core components of a Local Recovery Plan. This plan also includes Taupō District information; roles and responsibilities for Taupō District Wards; and local arrangements with the leader and membership for each recovery sector group in line with the recovery environments. Although outdated, this plan is currently being utilised for the recovery post the recent Taupō waste water event. It is recognised that this plan requires review which will be conducted post conduct of recovery activities associated with the Taupō waste water event. The M&E interviews highlighted the importance of reviewing the detailed local level recovery arrangements in the Local Recovery Plan. Once local arrangements have been confirmed, there should be confirmation of the agencies involved, staffing requirements and the time commitment of staff required with relevant management, if there was a requirement to activate recovery arrangements.

It is considered best practice to develop a Local Recovery Plan with alignment to the Group Plan, Group Recovery Plan and national guidance, in particular the Director's Guideline for Strategic Planning for Recovery¹⁸. Future recovery planning for Taupō District Council should also be in alignment to this guidance which details that it is critical that local authorities take a 'whole of local authority' approach to strategic planning for recovery as many roles within a local authority can influence the effectiveness of recovery (such as planners, engineers, and community engagement). Related to this, strategic planning for recovery should align with, not duplicate, existing local government processes, such as community engagement and development of long-term and annual plans. Council BAU policies, procedures and plans should be leveraged to assist in achieving the outcomes of strategic planning for recovery, as should existing roles, functions and resources.

After a draft Local Recovery Plan is finalised, this plan should be included as part of the Taupō District Council Exercise Programme.

¹⁷ Taupō District Council District Council Recovery Plan, December 2013

¹⁸ Director's Guideline for Civil Defence Emergency Management Groups (DGL 20/17) Strategic Planning for Recovery, December 2017



Taupō District Council activities in for the planning for recovery are also focused on a 'whole-of-district' approach. Although postponed due to the Taupō waste water event, Taupō District Council had planned a Disaster Recovery for Businesses Seminar. There is recognition of the impact that an event will have on tourism and businesses in the district. Tourism and local businesses were considered also as part of the current recovery from the Taupō waste water event, with allowances for carparking made in the CBD to promote the public's return to BAU in this space.

Local Recovery Manager

Taupō District Council has an appointed Local Recovery Manager (primary and alternate). There are no Taupō District Council staff identified as part of a Recovery Team for local recovery arrangements at this time, although there is the intent to utilise Taupō District Council staff either directly linked through EOC functions or technically-based staff. Whilst there has been broad planning for a Recovery Team, no formalised arrangements are in place.

The Local Recovery Manager attends the Group Recovery Forum. The Local Recovery Manager would benefit from completing the Response and Recovery Leadership Programme when the programme and recognition of prior learning (RPL) is finalised.

Debriefing

Formalised debriefing processes are in place post exercises and any incident or event response that then captures and consolidates all corrective actions is required. Ensuring that debriefing processes are documented including a consolidated corrective action register will ensure further capability development.

A formal debrief of Operation Trout and the Crown Road Subsidence Event was still pending at the time of the M&E interviews. Even though there was not a declared CDEM emergency, based on the M&E interviews, there will be significant lessons learnt from these events that will be important to ensure that corrective actions are completed. The lessons learnt as part of Stakeholder Recovery will also be key in the development of future recovery planning. The importance of a formal debrief was highlighted in the M&E interviews.



Areas of strength

Current Recovery Operations

Taupō District Council is currently conducting recovery operations post the recent Taupō waste water event (Operation Trout). The recovery activities that have been conducted have had considerations across all recovery environments. The lessons learnt from current recovery activities will be important for consideration of review of the current Local Recovery Plan in particular the inclusion of arrangements for stakeholder recovery. There has not been extensive planning given to this side of recovery and Taupō District Council will be recognised as leaders in this space.

Local Recovery Manager

The Local Recovery Manager's experience and knowledge of the organisation and experience in this space is considered a key strength in the further development of recovery capability. This is an excellent example of an organisation having identified and appointed the right person to the right CDEM role.

Areas for improvement

Local Recovery Plan

Further review of the Taupō Local Recovery Plan is required with alignment to the Group Plan, Group Recovery Plan and national guidance; with consideration for the Director's Guideline for Strategic Planning for Recovery and critical focus on 'whole of local authority' approach to strategic planning for recovery¹⁹. A Taupō District Council Local Recovery Plan would be an effective resource for partner agencies and other local key stakeholders who are identified and have responsibilities with recovery at the local level. After a draft Local Recovery Plan is finalised, this plan should be included as part of the Taupō District Council exercise programme.

Debriefing

Formalised debriefing processes are in place post exercises and any incident or event response that then captures and consolidates all corrective actions is required, including a consolidated corrective action register. A formal debrief of Operation Trout and the Crown Road Subsidence Event is required to ensure that all lessons learnt are highlighted and corrective actions are completed. Terms of reference guidance in the Waikato CDEM Group After Action Report Policy²⁰ should be considered in the conduct of this formal debrief.

¹⁹ Director's Guideline for Civil Defence Emergency Management Groups (DGL 20/17) Strategic Planning for Recovery, December 2017

²⁰ Waikato CDEM Group After Action Policy



Recommendations

The following recommendations are made to be considered for review and inclusion in a Taupō District Council CDEM Work Programme:

- Ensure that effective debriefing is conducted post Operation Trout and the Crown Road Subsidence Event in alignment to the CDEM Group After Action Policy and lessons learnt shared in the Waikato CDEM Group.
- Ensure that stakeholder recovery as a component of recovery is included in the review of the Local Recovery Plan and also best practice of this component of recovery shared in the wider CDEM Group.
- Review of the Local Recovery Plan with alignment to the Waikato Group Plan, Group Recovery Plan, national guidance; and lessons learnt from current local recovery operations from the Taupō waste water event.
- Appointed Recovery Managers to complete the Response and Recovery Leadership Programme when the programme and recognition of prior learning (RPL) is finalised
- Inclusion of recovery on the CDEM Exercise Programme.
- Further development of a formal debriefing process for any incident or event response that captures and consolidates all corrective actions.



Enabler One: Governance and management arrangements

This section of the report focuses on the following activities;

- Work planning
- CDEM culture
- Funding



The overall score for Enabler 1 is 68.6% which reflects an advancing capability. Organisational commitment has been attained and some arrangements are in place, but achievements are not yet comprehensive.

Enabler 1: Governance and management arrangement support and enable CDEM			TDC Score
Weighted Score by Key Performance Indicator			
E1A-1	CDEM Group Plan provides the platform for comprehensive, coordinated CDEM across its area		N/A
E1A-2	CDEM Group Joint Committee includes appropriate level representation and has formalised procedures		N/A
E1A-3	Coordinating Executive Group includes appropriate level representation and has formalised procedures		N/A
E1A-4	CDEM Group's CDEM activity is planned, monitored, and effective in achieving CDEM objectives		N/A
E1A-5	Local authority CDEM activity is planned, aligned, monitored, and effective in achieving CDEM objectives		58.5
E1B-1	CDEM leadership (see note) is effective in directing and managing CDEM outcomes		N/A
E1B-2	The Emergency Management Community shares collective responsibility for championing CDEM outcomes		N/A
E1B-3	CDEM organisations demonstrate behavioural attributes that contribute positively to CDEM delivery		83.3
E1C-1	CDEM Group funding arrangements are identified and reported		N/A
E1C-2	Organisation's emergency management funding arrangements are identified and reported		96.7
E1C-3	Organisation's hazard reduction funding is prioritised to risk		73.3
Weighted Score by Objective			
E1A	Implement effective organisational structures for CDEM		58.5
E1B	CDEM Group culture positively influences the effective delivery of CDEM		83.3
E1C	Ensure agencies have funding for civil defence emergency management		85.0
Weighted Score by Goal			
E1	Governance and management arrangements support and enable civil defence emergency management		68.6

Table 5: Enabler 1 scores by Key Performance Indicator and Objective



General – Current State

Work planning

There is extensive work being completed by Taupō District Council CDEM professional staff to support CDEM capability. There currently is no formalised CDEM work programme for Taupō District Council. The development of a CDEM work programme for a 'whole-of-council' CDEM focus is essential including tasking for not only the CDEM professional staff, but other members of the CDEM team encompassing works streams across the '4Rs'. This future work programme should also be aligned to the Waikato CDEM Group objectives, targets and actions.

CDEM Culture

Taupō District Council staff have commitment and understanding individual and collective responsibilities for CDEM. There are dedicated staff that are part of the core CDEM Team which includes the CDEM professional staff and Taupō District staff appointed into CDEM positions. The prioritisation and development of CDEM capability by these staff has also enhanced CDEM culture. There is a willingness and 'can-do' attitude of Taupō District Council staff to assist in the response to an incident or event regardless of the scale.

CDEM funding

Appropriate funding processes for CDEM capability are still being developed. Although there is a very good understanding of claims processes and the next steps required for the development of processes include robust processes for tracking of the detail relating to CDEM expenditure through the Taupō District Council financial policy. This was an area of funding process that required further attention to ensure that stringent processes were in place with detailed explanations of expenditure to effectively support Taupō District Council event response and recovery, especially for the recovery of costs associated with an event.



Areas of strength

CDEM Culture

The current positive culture in Taupō District Council is a result of the commitment and dedication of staff who have an understanding of both individual and collective responsibilities for CDEM. The prioritisation and development of CDEM capability by staff in core CDEM roles has also enhanced CDEM culture. There is a willingness and 'can-do' attitude of Taupō District Council staff to assist in the response to an incident or event regardless of the scale.

Areas for improvement

Work planning

The development of a work programme for a 'whole-of-council' CDEM focus is recommended as essential for Taupō District Council including works streams across the '4Rs'. This formalised work programme will provide a documented basis for the extensive work currently being conducted by the CDEM professional staff and other council staff with CDEM roles. This future work programme should also be aligned to the Waikato CDEM Group objectives, targets and actions.

CDEM funding

Robust processes for tracking of the detail relating to CDEM expenditure were not in place. This was an area of funding process that required further attention to ensure that stringent processes were in place with detailed explanations of expenditure to effectively support Taupō District Council event response and recovery, especially for the recovery of costs associated with an event.

Recommendations

The following recommendations are made to be considered for review and inclusion in a Taupō District Council CDEM Work Programme:

- Development of robust processes tracking the detail relating to CDEM expenditure in response and recovery.
- Development of a 'whole-of-council' CDEM work programmes across the '4Rs' with alignment Waikato CDEM Group Plan and work programmes (See Goal 3).



Enabler Two: Organisational resilience

This section of the report focuses on the following activities;

- Risk management
- Business continuity framework
- Critical functions
- Business continuity planning
- Leadership and culture
- Relationships and networks
- Adaptive capacity

2019			60.8	
	unsatisfactory	developing	advancing	mature

The overall score for Enabler 2 is 60.8% which reflects an advancing capability. Organisational commitment has been attained and some arrangements are in place, but achievements are not yet comprehensive.

Enabler 2: Organisational resilience supports effective crisis management			TDC Score
Weighted Score by Key Performance Indicator			
E2A-1	Risk management is comprehensive and integrated throughout the organisation		77.1
E2A-2	Business Continuity Management has a formalised programme with high-level commitment		44.0
E2A-3	Critical business functions and processes, and potential impacts on them are defined		50.0
E2A-4	Business continuity strategies and arrangements are developed and implemented		62.9
E2B-1	Leadership and culture are enabling of a forward-looking, agile organisation		77.5
E2B-2	CDEM Group's CDEM activity is planned, monitored, and effective in achieving CDEM objectives		63.3
E2B-3	Organisation's hazard reduction funding is prioritised to risk		48.6
Weighted Score by Objective			
E2A	Organisational resilience is developed through risk management and planned strategies		58.5
E2B	Organisational resilience is developed through adaptive capacity		63.1
Weighted Score by Goal			
E1	Organisational resilience supports effective crisis management		60.8

Table 6: Enabler 2 scores by Key Performance Indicator and Objective



General – Current State

Leadership and culture

The level of emphasis placed on CDEM in Taupō District Council is highlighted through the Emergency Management Standing Committee, which has been established as an in-council committee to provide governance and oversight of planning, coordination and delivery of CDEM for Taupō District²¹. The M&E interviews highlighted that this committee provides 'whole-of-district' consideration for CDEM and is an advocate for CDEM within council and with the community. The Emergency Management Standing Committee provided support for the new council build and planning to have the whole building IL4 compliant.

There is a very positive CDEM culture within Taupō District Council due to the importance of CDEM placed by both governance and management. The Senior Leadership Team are viewed as courageous in their drive for CDEM. The enthusiasm of staff is evident and the M&E interviews highlighted staff commitment to CDEM due to everyday realism of the hazardscape within Taupō District.

Relationships and networks

Taupō District Council has unique boundary relationships and is the only local authority in the Waikato CDEM Group to have boundaries with three other CDEM Groups: Bay of Plenty, Hawke's Bay and Manawatu-Wanganui. The requirement for cross-CDEM boundary relationships due to Taupō District's geography are recognised as a priority and essential in the development of CDEM capability. Memorandum of Understanding (MOU) agreements have been drafted with Ruapehu, Rotorua Lakes and South Waikato District Councils. There are very good relationships with these local authorities.

Excellent and well-established relationships are also in place with partner agencies and the scientific community. The extent of relationships with scientific agencies at the local level highlights the level of understanding of the Taupō District hazardscape. The Emergency Services group meetings have been revitalised with agency attendees from the iwi, FENZ, health and the Harbourmaster.

²¹ Taupō District Council Emergency Management Standing Committee Terms of Reference and Delegations for Council Committees



Risk management

There is a Risk Management Charter²² which details the framework for risk management for Taupō District Council. The Audit and Risk Committee provides governance and oversight of the effectiveness of risk management and internal control practices. Taupō District Council does not maintain a traditional Risk Registers, but key operational risks for each year are identified from the Long-Term Plan²³ and governance risks from discussions with council. These risks are operational which includes risks stemming from infrastructure, budget and economic development; and governance risks which includes risks stemming from strategic planning, council performance and legal liability. For each risk a fault tree/ bowtie analysis²⁴ is conducted detailing potential cause and effects and treatment options or mitigation that have or should be put in place to reduce the overall risk. The M&E interviews highlighted that this risk management process was a mature approach to risk management processes. The fault tree/ bowtie analysis for each risk could also be utilised as the basis for BCPs for seamless integration of risk management and BCM.

Business continuity management

Business continuity management (BCM) within Taupō District Council is developing with recognition that further work is required. BCM is currently not integrated throughout Taupō District Council. There are some Business Continuity Plans (BCPs) in place for Information Communication Technology²⁵, Wastewater²⁶ and Water Supply²⁷. Further BCPs with a 'whole-of-council' approach and focus on what services are required for continued Council operations are also to be developed. After development of a 'whole-of-council' framework for BCM and BCPs, the next steps are then the testing of the BCPs established through exercising. Testing of Whilst BCM is in development, there is still a confidence that Taupō District Council critical services will remain operational in an event. This has been tested as result of the recent events with Operation Trout and the Crown Road Subsidence Event.

²² Taupō District Council Risk Management Charter 2013

²³ Taupō District Council Long-Term Plan 2018-28

²⁴ Taupō District Council fault tree/ bowtie analysis: Degradation of Fresh Water; Expenditure exceeding income; Insufficient Economic Development; Insufficient Water Quantities; Unsuitable Water Quality; Wastewater Spill

²⁵ Taupō District Council Business Continuity Plan: Information and Communications Technology (ICT), April 2018

²⁶ Taupō District Council Business Continuity Plan: Wastewater, May 2019

²⁷ Taupō District Council Business Continuity Plan: Water Supply, March 2019



Areas of strength

Leadership and culture

The level of emphasis placed on CDEM in Taupō District Council is highlighted through its governance. The Emergency Management Standing Committee, as an in-council committee, is an advocate for CDEM within council and with the community. This CDEM governance model is one that should be considered for oversight of CDEM at the local level for all local authorities for accountability and oversight of CDEM for council and their districts.

Relationships and networks

Excellent and well-established relationships in place with bordering local authorities, partner agencies and the scientific community are a strength for Taupō District Council. Due to the sheer extent and span of relationships, the development of a Stakeholder Engagement Plan to formalise the strategy for relationships would contribute and develop redundancy for this strong component of capability.

Risk management

Taupō District Council's move from traditional Risk Registers to use of fault tree/ bowtie analysis²⁸ for each identified risk highlights an approach to risk management that could easily be integrated with BCM for a seamless and embedded risk and business continuity framework.

Areas for improvement

Business continuity management

Post finalisation of BCM Framework and development of BCPs, the testing of BCPs is essential to ensure that robust systems are in place in response to an incident or event. How these BCPs integrate on the continuum of BAU-incident -crisis-CDEM emergency should also be included. Although there is a confidence that Taupō District Council critical services will remain operational in an event, testing of BCPs will strengthen this capability.

²⁸ Taupō District Council fault tree/ bowtie analysis: Degradation of Fresh Water; Expenditure exceeding income; Insufficient Economic Development; Insufficient Water Quantities; Unsuitable Water Quality; Wastewater Spill



Recommendations

The following recommendations are made to be considered for review and inclusion in a Taupō District Council CDEM Work Programme:

- Review of the current Risk Management framework and fault tree/ bowtie analysis for integration with BCM.
- Development and Taupō District Council ratification of a BCM Framework.
- Development and Taupō District Council BCPs.
- Programme of BCM exercises to test BCPs.
- Ensure that the current internal culture and staff commitment to CDEM within Taupō District Council continues to be promoted.
- Development of a Stakeholder Engagement Plan that considers coordination of cross-boundary relationships with partner agencies and all other key stakeholders to ensure that all relationships are documented for redundancy.



Summary of scoring results

The table below (Table 7) summarises the suite of scores for Taupō District Council at objective level²⁹.

Results for Goal 1		SCORE
G1A	Increase the level of community awareness and understanding of the risks from hazards	83.2
G1B	Improve individual and community preparedness	76.2
G1C	Improve community participation in CDEM	79.2
G1D	Encourage and enable wider community participation in hazard risk management decisions	75.0
Results for Goal 2		SCORE
G2A	Improve the coordination, promotion and accessibility of CDEM research	74.7
G2B	Develop a comprehensive understanding of New Zealand's hazardscape	76.6
G2C	Encourage all CDEM stakeholders to reduce the risks from hazards to acceptable levels	67.2
Results for Goal 3		SCORE
G3A	Promote continuing and coordinated professional development in CDEM	57.1
G3B	Enhance the ability of CDEM Groups to prepare for and manage civil defence emergencies	78.6
Results for Goal 4		SCORE
G4A	Implement effective recovery planning activities	75.6
G4B	Enhance the ability of agencies to manage the recovery process	67.5
Results for Enabler 1		SCORE
E1A	Implement effective organisational structures for CDEM	58.5
E1B	CDEM Group culture positively influences the effective delivery of CDEM	83.3
E1C	Ensure agencies have funding for civil defence emergency management	85.0
Results for Enabler 2		SCORE
E2A	Organisational resilience is developed through risk management and planned strategies	58.5
E2B	Organisational resilience is developed through adaptive capacity	63.1
Results by Goal		SCORE
G1	To increase community awareness, understanding, preparedness and participation in civil defence emergency management	79.2
G2	To reduce the risks from hazards to New Zealand	72.2
G3	To enhance New Zealand's capability to manage civil defence emergencies	75.4
G4	To enhance New Zealand's capability to recover from civil defence emergencies	71.6
E1	Governance and management arrangements support and enable civil defence emergency management	68.6
E2	Organisational resilience supports effective crisis management	60.8
OVERALL SCORE		71.8

Table 7 – Summary of results: Scores for Taupō District Council at objective level

The Taupō District Council overall score of **71.8%** reflects the hard work, significant commitment and emphasis on the importance of CDEM that Taupō District Council places on CDEM and the improvement of this capability.

²⁹ Objectives underpin the Goals set out in the National CDEM Strategy



Summary of recommendations

Goal 1 – Increasing community awareness, understanding, preparedness and participation in CDEM.

- Development of a Public Education Programme with alignment to the Community Engagement Strategy
- Further development of hazard information specific to Taupō District and review of the platforms to support the availability of this information to the public.
- Further development of a Community Engagement Strategy including CDEM community engagement activities.
- Development of CDEM community engagement processes.
- Development of a community engagement contact database.
- Ensure that local volunteer management processes are linked to the Group level guidance and processes.

Goal 2 – Reducing the risks from hazards

- Consideration for the inclusion of emergency management research in future Taupō District Council CDEM work programmes to inform CDEM planning and capability development.

Goal 3 – Enhancing capability to manage emergencies

- Review of all relevant Taupō District Council CDEM plans with alignment to other operational plans; Group and national guidance; and legislation.
- Development of operational plans (if required) to support CDEM capability with alignment to the Waikato CDEM Group Plan.
- Ensure that effective professional development and sharing of knowledge is implemented for the newly appointed Local Controllers.
- Utilising all opportunities for Local Controllers to gain experience, regardless of incident scale, to practice the Controller skill-set.
- Develop a robust 24/7 system with additional staff resources.
- Develop an SOP for warning systems to compliment the 24/7 duty system.
- Development of a Training and Exercise Plan and Programme, with alignment to the Waikato CDEM Group Training and Exercise programme.
- Development of a 'whole-of-council' CDEM work programmes across the '4Rs' with alignment Waikato CDEM Group Plan and work programmes (See Enabler 1).
- Review and further development of EOC SOPs to support response capability including EOC systems and processes.
- Confirmation and appointment of alternate Local Welfare Managers.



Goal 4 – Enhancing capability to recovery from emergencies

- Ensure that effective debriefing is conducted post Operation Trout and the Crown Road Subsidence Event in alignment to the CDEM Group After Action Policy and lessons learnt shared in the Waikato CDEM Group.
- Ensure that stakeholder recovery as a component of recovery is included in the review of the Local Recovery Plan and also best practice of this component of recovery shared in the wider CDEM Group.
- Review of the Local Recovery Plan with alignment to the Waikato Group Plan, Group Recovery Plan, national guidance; and lessons learnt from current local recovery operations from the Taupō waste water event.
- Appointed Recovery Managers to complete the Response and Recovery Leadership Programme when the programme and recognition of prior learning (RPL) is finalised
- Inclusion of recovery on the CDEM Exercise Programme.
- Further development of a formal debriefing process for any incident or event response that captures and consolidates all corrective actions.

Enabler 1 – Governance and management arrangements

- Development of robust processes tracking the detail relating to CDEM expenditure in response and recovery.
- Development of a 'whole-of-council' CDEM work programmes across the '4Rs' with alignment Waikato CDEM Group Plan and work programmes (See Goal 3).

Enabler 2 – Organisational resilience

- Review of the current Risk Management framework and fault tree/ bowtie analysis for integration with BCM.
- Development and Taupō District Council ratification of a BCM Framework.
- Development and Taupō District Council BCPs.
- Programme of BCM exercises to test BCPs.
- Ensure that the current internal culture and staff commitment to CDEM within Taupō District Council continues to be promoted.
- Development of a Stakeholder Engagement Plan that considers coordination of cross-boundary relationships with partner agencies and all other key stakeholders to ensure that all relationships are documented for redundancy.



Conclusion

Overall the 71.8% overall score identifies Taupō District Council CDEM as an advancing capability. In defining an advancing capability, there are arrangements that are in place that have been tested, but further work has been identified. Aside from whether arrangements are tested /or are to be tested, there is a high degree of confidence the arrangements will be effective. There is a strong CDEM culture within Taupō District Council as a result of the emphasis placed on CDEM through strong leadership within governance and management. Taupō District Council's current projected path with CDEM, in consideration of the recommendations in this report, should meet with continued improvement in the future. CDEM capability is on track in the future to advance to a mature level of CDEM capability.

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Appendix 1 – Summary of M&E Interviewees

Taupō District Council	Mayor David Trewavas
	Councillor Anna Park
	Gareth Green – Chief Executive
	Brian Fox/ Head of Risk and Regulatory
	Alan Menhennet - Head of Finance and Strategy
	Doug Wilcox - CDEM contractor
	Tina Jakes - Head of Democracy, Governance and Venues
	Dylan Tahau - Head of Community, Culture and Heritage
	John Ridd - Head of Economic Development and Business Transformation
	Roger Stokes - Development Engineer
	Garreth Robinson/ Facilities Manager
	Andy Taylor - Senior Communications Advisor
	Veronica King - Strategic Partnership Advisor
	Ian Connon – Emergency Manager
	Kate Guthrie - Emergency Management Support Officer



Appendix 2 – Summary of documents reviewed

The main documents and websites that have been reviewed in compilation of this report include:

- Taupō District Council website
<https://www.taupodc.govt.nz/>
- Waikato CDEM Group Plan 2016-2021
- Waikato CDEM Group Volunteer Management Manual
- Waikato CDEM Group Community Response Plan Guide and Template
- Waikato CDEM Group Expanded Community Engagement Strategy 2019
- Waikato CDEM Group Training and Exercising Strategy (draft)
- Waikato CDEM Group Training and Exercise Calendar 2019
- Waikato CDEM Group Public Information Management Plan 2016
- Waikato CDEM Group Welfare Manager Response Manual
- Waikato CDEM Group Civil Defence Centre Project, Welfare Coordination Group, October 2015
- Waikato CDEM Group After Action Policy
- Taupō District Council Emergency Management Standing Committee Terms of Reference and Delegations for Council Committees
- Meeting Minutes - Emergency Management Standing Committee
- Taupō District Council Community Engagement Strategy
- Taupō District Council Community Response Plans
- Taupō District Council CDEM Plan, June 2012
- Taupō District Council Mangakino Sub-Plan, 01 May 2019 (draft)
- Taupō District Council Turangi Sub-Plan, 01 April 2019 (draft)
- Taupō District Council Exercise Gumboot Debrief Notes
- Taupō District Council Training Excel Spreadsheet
- Taupō District Council EOC Staff Details Excel Spreadsheet
- Taupō District Council Local Welfare District Plan 2017-2010, June 2017
- Taupō District Council District Council Recovery Plan, December 2013
- Taupō District Council Risk Management Charter 2013
- Taupō District Council Long-Term Plan 2018-28
- Taupō District Council fault tree/ bowtie analysis: Degradation of Fresh Water; Expenditure exceeding income; Insufficient Economic Development; Insufficient Water Quantities; Unsuitable Water Quality; Wastewater Spill
- Taupō District Council Business Continuity Plan: Information and Communications Technology (ICT), April 2018
- Taupō District Council Business Continuity Plan: Wastewater, May 2019
- Taupō District Council Business Continuity Plan: Water Supply, March 2019

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Taupō District Council
Final CDEM Capability Assessment Report – July 2019



- Taupō District Council Civic Administration Building, High-level requirements, February 2019
- Taupō District Council Civic Administration Building, Location Assessment, February 2019



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New Zealand Councils Can Carry Growing Debt

February 16, 2020

Key Takeaways

- We rate 23 New Zealand councils, which collectively account for the bulk of the country's local government debt. Credit quality has risen in the past five years reflecting stronger financial outcomes.
- Robust and effective fiscal management and high levels of fiscal flexibility are common credit strengths, while elevated debt burdens weigh on the credit quality of some councils.
- Many councils have budgeted for higher infrastructure spending. Though we expect spending to be well managed, larger outlays are eroding headroom at current ratings.

We continue to view as favorable the credit quality of New Zealand's local and regional governments, even as their debt burdens grow.

S&P Global Ratings has long-term issuer credit ratings on 23 local and regional governments (i.e., councils) in New Zealand, with ratings ranging between 'AA' and 'A+', nine of which have positive outlooks. Seven of these positive outlooks are connected with the positive outlook on the sovereign, with the remaining two for council stand-alone credit specific factors. None have negative outlooks.

Underpinning the high ratings--clustered in a three-notch band toward the top of our global ratings scale--is New Zealand's extremely supportive institutional and policy settings (see "Public Finance System Overview: New Zealand's Institutional Framework For Local And Regional Governments," published Nov. 12, 2018). This view of the institutional and policy settings recognizes that the local government system benefits from a stable policy environment, high levels of disclosure and transparency in reporting, and solid revenue and expenditure autonomy. While these sector-related factors are the cornerstone of our high investment-grade ratings, idiosyncratic factors differentiate our ratings. Table 1 provides a snapshot of our current scores and ratings.

Ratings have trended upward over the past five years (see chart 1). We have upgraded 10 councils since 2014, including Western Bay of Plenty District Council (Western Bay) twice. We last downgraded a council in July 2013, when we lowered our ratings on Christchurch City Council (Christchurch) to 'A+' from 'AA-' following the revocation of its building consenting powers and appointment of a Crown Manager. In December 2019, we upgraded Christchurch reflecting the recent global settlement between the council and the New Zealand sovereign, transferring key

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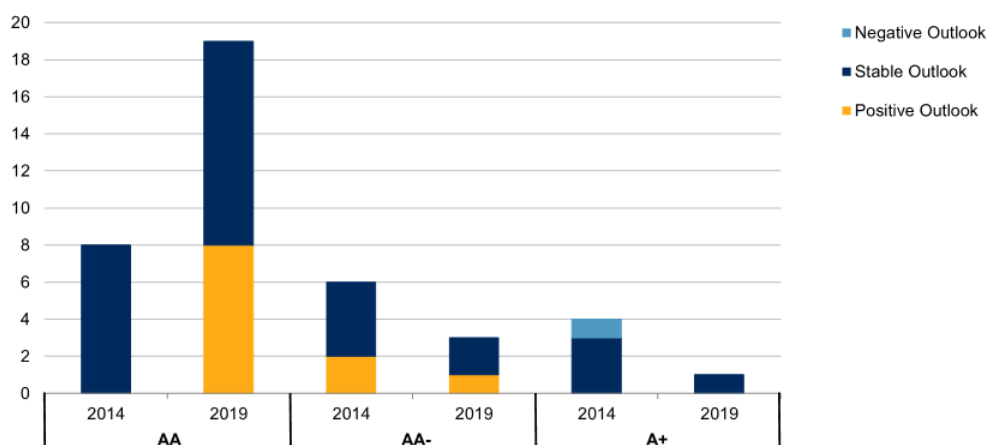
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decision-making powers and major assets to the council.

We revised our outlooks on seven New Zealand councils to positive in January 2019 following our revision of the outlook on the New Zealand sovereign to positive. A further two councils--Western Bay and South Taranaki District Council (South Taranaki)--are on positive outlook for reasons related to their improving individual credit profiles, due to declining or stabilizing debt levels, narrowing after-capital deficits, and improving financial management.

Chart 1

Ratings Distribution And Breakdown 2014 Vs. 2019



Source: S&P Global Ratings.

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Wealthy National Economy With Regional Variations

New Zealand benefits from an open, prosperous, flexible, and resilient economy. We estimate New Zealand's GDP per capita to be around US\$40,700 in 2020. High national GDP per capita is a key supporting factor for the economies in which the New Zealand councils operate.

Among the councils that we assess with the strongest local economies are Auckland Council (Auckland), which governs New Zealand's largest and most economically vibrant city, along with Greater Wellington Regional Council and Wellington City Council (Wellington), which oversees New Zealand's affluent capital. In December 2019, we raised Christchurch's economic assessment to incorporate its improving economic viability and stability after the bulk of earthquake reconstruction has been finalized.

While New Zealand is a relatively small economy in a global context it still has a wide variance in wealth across councils. Some smaller, rural councils tend to have more concentrated economies,

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weaker socioeconomic or demographic profiles, or limited growth prospects because of stagnant or declining populations. Some are concentrated in agriculture, particularly dairy; horticulture; or oil and gas.

We observe weaker socioeconomic profiles than the national average across about 65% of our 23 rated New Zealand councils. These councils represent less than half of the country's population. There are a few characteristics we believe could place pressure on the councils' ability to raise rates revenues over the longer term through the generation of new ratepayers or passing rate increases. These characteristics include the low income levels and local GDP of some councils, slow population growth rates, or aging populations compared to the national average. The country's regional areas tend to attract residents moving from cities upon retirement due to their affordability, such as the three Bay of Plenty councils, Tasman District Council (Tasman), Horowhenua District Council, and Marlborough District Council (Marlborough), amongst others. Other regions have relatively slow population growth that lags the national average, such as Dunedin City Council, Hastings District Council (Hastings), and South Taranaki.

Another distinguishing feature is concentrated or volatile local economies, which make up around 39% of our rated portfolio. We believe some councils can be more vulnerable to downturns in the primary sector than the broader New Zealand economy, potentially impacting council revenues. For instance, we assess the three Bay of Plenty councils as having large kiwifruit industry exposure, while Hastings and Marlborough are other areas concentrated in horticulture. Taupo District Council's (Taupo) domestic tourism exposure, as seen by a large number of holiday homes, is another observable instance of industry concentration potentially affecting a council. Councils in the Taranaki region are also vulnerable to large exposures to oil, gas, and dairy.

Financial Management Is Consistently Strong

We consider the general standard of financial management in New Zealand to be very high, supported by minimum standards set by the Crown government. Our financial management assessments for New Zealand councils are a clear strength relative to global peers. New Zealand councils typically focus on their core responsibilities as outlined in the Local Government Act 2002. New Zealand councils don't tend to undertake riskier activities such as borrowing for financial or real estate investments as we observe in some other jurisdictions.

Each council is governed by a group of elected councilors and conducts local elections every three years. Political and executive management teams tend to respect their separate spheres of power and responsibilities. Councils demonstrate a culture of long-term planning and transparency. They are required to produce 10-year long-term plans every three years, annual plans (budgets) in the intervening years, and audited annual reports. Plans are subject to extensive community consultation. Long-term debt is incurred only for funding capital expenditure, with Crown agencies, such as the Auditor-General or Audit New Zealand, raising issues if it is not. All councils, except Auckland, are restricted from issuing foreign-currency debt, and all limit interest-rate risk on their borrowings. Given the long-standing nature of these rules and processes, we believe a material change in culture is unlikely. The New Zealand Local Government Funding Agency (the LGFA) requirements also supports debt and liquidity management for its 64 participating councils.

We previously considered a few councils to have satisfactory financial management, in the middle of our assessment range. We improved Christchurch's satisfactory financial management assessment in December 2019, reflecting the recent "global settlement" between the council and the sovereign around matters relating to the Christchurch earthquake, which transfers key decision-making powers and major assets back to the council. Historically, our view of the council had been mired by uncertainty over funding and issues with management. South Taranaki's

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management has also improved over the years and was behind its upgrade in 2017.

Significant Fiscal Disparities Due To Infrastructure Spending

All rated councils in New Zealand consistently post strong cash operating surpluses. This is in part because of their limited public policy mandate in the areas of public health, education, and social welfare—unlike many other systems such as in Australia, Europe, and the Americas where the local governments have broader responsibilities. However, many New Zealand councils have large or lumpy infrastructure programs, largely related to water supply, storm water, waste water, and roading, that result in relatively weak after-capital account positions.

Comparatively weak after-capital account deficits compared to international peers offset the strong operating surpluses and weigh on the budgetary performance for most New Zealand councils. Nevertheless, we consider the overall fiscal flexibility of most New Zealand councils to be strong in global comparison, in part supported by very strong flexibility within council budgets via rate increases and the ability to delay capital expenditure, and large investment funds held by some councils.

We forecast that some councils will record after-capital account deficits of as high as 30% of their total revenues over the next few years. In the latest 2020 annual plans, we observe that many councils are ramping up their capital spending to cater to growing populations, respond to new Crown government standards in areas such as water quality, replace aging infrastructure, or strengthen physical assets against natural disaster risks.

Councils often under-deliver on their capital expenditure budgets. This is due to a number of factors, including capacity constraints, lengthy approval processes for new projects, and, sometimes, poor planning. For many councils, we will typically apply a "haircut" of 10%-30% to their capital budgets in producing our own forecasts. As such, we typically do not expect growth in aggregate local government gross debt to be as large as that implied by projections in the most recent annual plans or long-term plans.

Most New Zealand councils have a high degree of fiscal flexibility, which supports their budgetary performance. This reflects their strong rate-collection powers. Many councils also have flexibility to postpone or reschedule a portion of their capital spending from year to year because capital expenditure comprises a large proportion of their total outlays compared with other systems. Some councils such as New Plymouth District Council (New Plymouth), South Taranaki, and Taupo hold large financial assets as a proportion of their revenue bases from previous asset sales such as their power companies. These assets provide councils with additional funding sources to support their budgets if needed.

We view a handful of our rated councils as having only a neutral level of flexibility compared to domestic and international peers. In these cases, we may see limited political will to increase general property rates, or a greater proportion of total group revenues are derived from subsidiary companies whose income streams may be subject to market forces or economic regulation. For some councils, we see difficulties in further delaying capital expenditure projects without adding to their infrastructure backlogs.

Liquidity Coverage Varies Depending On Investment Assets And Bank Facilities

The liquidity of New Zealand councils is mixed, in our view. Many councils hold very little cash or liquid assets as a proportion of their balance sheets. Many rely on committed bank facilities for

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working capital. We consider bank facilities to be less secure than cash reserves because banks have the discretion to change their terms and, in some cases, withdraw access to these facilities. Significant after-capital account deficits and maturing debt within the next year places pressure on the liquidity of a number of councils that are running sizeable infrastructure-related capital expenditure programs, hold small cash reserves, and leave the refinancing of upcoming debt until several months before maturity.

A few councils, such as New Plymouth, South Taranaki, and Taupo, manage relatively large investment funds formed from the proceeds of earlier sales of physical assets, such as council-owned electricity companies. They invest these funds in financial assets such as bonds and listed equities. Where we consider these funds to be liquid and accessible in a timely manner, they can support a council's liquidity coverage. However, we do haircut their value--up to 50%--depending on the underlying risk of the investments.

In recent years, we have observed many councils prefund upcoming debt maturities up to 18 months in advance and hold the proceeds in linked term deposits, taking advantage of a positive interest-rate differential between term deposit rates and the cost of borrowing. While prefunding may help to mitigate refinancing risk, it is unclear how councils would respond if the cost of carry were to turn negative. We believe some councils are engaging in prefunding primarily to make a small financial return, rather than to address refinancing risk, and this would see coverage weaken when yields change.

We consider that the LGFA provides local councils with strong access to a well-established source of external liquidity. This improves the liquidity of councils borrowing through the LGFA as it has lengthened the maturity profiles, and reduced borrowing costs, of New Zealand councils.

High Debt Burdens Relative To Other Rated Jurisdictions

Consistent with the principle of intergenerational equity, many councils use debt to fund part or all of their capital expenditure programs, rather than taxing current ratepayers more. This means New Zealand councils have some of the highest debt burdens among jurisdictions where we maintain public ratings.

Debt levels are also high because we assess gross debt levels, instead of the locally preferred measure of net debt used by New Zealand councils and LGFA. In our view, using net debt levels doesn't accurately represent the underlying credit risk faced by councils, further it would double count the benefit of any liquid assets as they are included our measure of liquidity.

While most debt burdens are high, we believe debt management is very strong in New Zealand with little interest rate risk as most councils fix the bulk of their debt. Further, no council, other than Auckland, has exposure to currency risk on its debt issuance. Auckland limits the amount of potential currency risk by hedging its exposure. For these reasons, New Zealand local governments are able to maintain credit ratings at levels higher than some international peers with the same level of debt. The vast majority of councils also have maturity limits in place to avoid large concentration of debt within any 12 month period.

Our debt assessments also incorporate debt of wholly owned subsidiaries such as Dunedin City Treasury Ltd., Dunedin City Holdings Ltd., WRC Holdings Ltd., Quayside Holdings Ltd., and Christchurch City Holdings Ltd. This is because we believe councils hold the ultimate responsibility for these entities, and provide financial support during periods of stress.

We view New Zealand councils' contingent liability risks to be low compared with their global peers. Nevertheless, we consider contingent liabilities to be significant enough to impact their debt burden for three entities: Bay of Plenty Regional Council (Bay of Plenty), Christchurch, and

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Tasman, Bay of Plenty's contingent liabilities reflect the size and business activities of Quayside Holdings Ltd. and the council's exposure to natural disasters, such as the floods that occurred in 2017. Christchurch's contingent liabilities reflect the council's earthquake risk and uncertainties associated with its large capital expenditure program. Our assessment for Tasman reflects the council's guarantee of up to NZ\$29 million over a loan to Waimea Water Ltd., and construction risks related to the Waimea Community Dam including potential cost overruns.

Sovereign Risk Factors

We revised our outlook on seven New Zealand councils to positive in January 2019 following our revision of the New Zealand sovereign outlook to positive. This is because these seven councils have stand-alone credit profiles higher than New Zealand's long-term foreign-currency rating. Nevertheless, we don't rate them higher than the sovereign because we believe that it is unlikely that any of the New Zealand councils could withstand a stress scenario better than the sovereign could.

Six years ago, Wellington was the only council to be capped by the sovereign ratings (see "Peer Comparison: New Zealand Councils Cluster Within A Narrow Investment-Grade Band," published April 8, 2013).

Table 1

Ratings Score Snapshot

Government	Foreign- and local-currency issuer credit ratings	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
Auckland Council	AA/Stable/A-1+	1	1	4	1	5
Bay of Plenty Regional Council	AA/Stable/A-1+	3	1	2	1	5
Christchurch City Council	AA-/Stable/A-1+	1	2	4	2	5
Dunedin City Council	AA/Stable/A-1+	2	2	4	3	4
Greater Wellington Regional Council	AA/Positive/A-1+	1	1	2	1	4
Hastings District Council	AA/Stable/A-1+	3	2	3	2	4
Horowhenua District Council	A+/Stable/A-1	3	2	4	3	4
Hutt City Council	AA/Stable/A-1+	2	2	4	2	4
Kapiti Coast District Council	AA/Stable/A-1+	3	2	1	1	5
Marlborough District Council	AA/Positive/A-1+	3	1	2	2	2
Nelson City Council	AA/Stable/A-1+	3	2	1	2	3
New Plymouth District Council	AA/Positive/A-1+	2	2	2	1	3
Palmerston North City Council	AA/Positive/A-1+	2	2	2	2	4
Porirua City Council	AA/Stable/A-1+	2	2	2	1	3

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Table 1

Ratings Score Snapshot (cont.)

Government	Foreign- and local-currency issuer credit ratings	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
South Taranaki District Council	AA-/Positive/A-1+	3	2	2	1	5
Tasman District Council	AA/Stable/A-1+	3	2	2	2	5
Taupo District Council	AA/Positive/A-1+	2	1	1	1	5
Tauranga City Council	AA-/Stable/A-1+	2	2	3	3	4
Waimakariri District Council	AA/Stable/A-1+	2	2	3	3	4
Wellington City Council	AA/Positive/A-1+	1	1	3	2	4
Western Bay of Plenty District Council	AA/Positive/A-1+	3	2	1	1	4
Whanganui District Council	AA/Stable/A-1+	3	2	1	1	4
Whangarei District Council	AA/Positive/A-1+	3	1	2	1	4

As Of Feb. 17, 2020.

Related Research

- Default, Transition, and Recovery: 2018 Annual International Public Finance Default And Rating Transition Study, Aug. 19, 2019
- Global Ratings List: Local And Regional Governments 2019, Aug. 3, 2019
- 2020 Outlook For Local And Regional Governments Outside The U.S., Nov. 18, 2019
- New Zealand Councils Remain Highly Rated Even As Debt Expands, June 25, 2019
- New Zealand Outlook Revised To Positive On Improving Fiscal Position; 'AA+' LC And 'AA' FC Ratings Affirmed, Jan. 31, 2019
- Public Finance System Overview: New Zealand's Institutional Framework For Local And Regional Governments, Nov. 12, 2018
- Peer Comparison: New Zealand Councils Cluster Within A Narrow Investment-Grade Band, April 8, 2013

This report does not constitute a rating action.

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**INTERNAL AUDIT/REVIEW OF SENSITIVE
EXPENDITURE FOR THE PERIOD
01 January 2019 – 30 June 2019**

1. OVERVIEW

This review is a reoccurring review completed in response to matters previously raised by Audit New Zealand and looks at expenditure that considered sensitive in accordance with the current Sensitive Expenditure Policy. The review results can be used to confirm compliance with the current sensitive expenditure policy and identify opportunities for improvement in the management of sensitive expenditure.

Sensitive expenditure is any Council expenditure where there may be a perceived personal benefit to elected members or staff, or expenditure that could be considered unusual for a Council is deemed to be sensitive expenditure. Sensitive expenditure will have one or more of the following attributes:

- Results in a perceived or real private benefit to the individual.
- May be an unusual expenditure item for Council.
- Does not directly align with the core business of Council or has a poor link to the business purposes of Council.
- Usually a discretionary expenditure item.
- Could be difficult to justify to the public.
- May involve a conflict of interest [legal or ethical].
- May be considered an extravagant or immoderate expenditure.

2. SCOPE OF AUDIT/REVIEW

This audit/review covers the 6 month period between 01 January 2019 to 30 June 2019 and was completed by reviewing records of sensitive expenditure made using the Electronic Purchase Order (EPO) system, claims for reimbursements through the payroll system and credit card purchases made on council credit cards.

The review looks at expenditure incurred within the categories identified in the current Sensitive Expenditure Policy being:

- Council Credit Cards
- Travel & Accommodation
- Meals/Food and Refreshments
- Entertainment & Hospitality
- Goods and Services Expenditure
- Staff Support & Welfare Expenditure
- Donations & Gifts
- Other (Miscellaneous)

3. OBSERVATIONS

2.1 Council Credit Cards

The Council has 5 credit cards issued to staff under the provisions of section 7 of the policy and the use of these cards is strictly controlled and monitored as required by the current policy. Full monthly breakdowns of credit card purchases prepared and reviewed by the Group Accountant for cards issued to staff and the Chair of the Audit & Risk Committee for the credit card issued to the Mayor.

During the 6 months covered by this audit/review a total of 335 transactions were made on council credit cards with 145 of these directly related purchases that fall within the definition of sensitive expenditure.

No variations from the policy were identified.

2.2 Section 8 – Travel & Accommodation

226 expenditures for accommodation and travel were identified and reviewed. These consisted of 138 using the EPO system, 26 reimbursements through the payroll system and 62 were made using council credit cards and reviewed under that section.

Generally, all travel and accommodation is being booked through Customer Services with payment through the EPO system or council credit card and appears to meet the requirements of the policy.

Staff reimbursements to staff for travel & accommodation mostly related to reimbursements of taxis or shuttles and meals for staff and elected representatives while attending training courses or meetings in other towns and is generally unavoidable and acceptable.

No variations from the policy were identified

2.3 Section 9 – Meals/Food & Refreshments

133 cases of expenditure were identified and reviewed for meals/food and refreshments. These consisted of 91 using the EPO system, 26 reimbursements through the payroll system and 16 were made using council credit cards and reviewed under that section.

By far the most common expenditures for in this category related to meals & refreshments for staff and elected representatives while attending training courses or Council business outside the district followed by light lunches and the like for day long workshops and training courses held in-house and are consistent with the policy.

No variations from the policy were identified

2.4 Section 10 – Entertainment and Hospitality

55 cases of expenditure were identified and reviewed for meals/food and refreshments. These consisted of 8 using the EPO system, 8 reimbursement through the payroll system and 39 made using council credit cards and reviewed under that section.

No variations from the policy were identified..

2.5 Section 11 - Goods and Services Expenditure

Reimbursements to 6 employees for Bring Your Own Devices (BYOD mobile phones) were made in accordance with the current Bring Your Own Device (BYOD) Policy. While the current Sensitive Expenditure Policy covers this under section 11, the management of BYODs is covered by the BYOD policy.

2.6 Section 12 – Staff Support and Welfare Expenditure

51 cases of expenditure were identified and reviewed for staff support and welfare. These consisted of 37 using the EPO system, 12 reimbursements through the payroll system and 12 made using council credit cards and reviewed under that section.

14 purchases of clothing for staff were identified in this review. Section 12.1 of the policy states, '*other than official uniforms and health and safety-related clothing, elected members or staff will not be clothed at the Council's expense, when they are engaged in a normal business activity*'. Currently the only guidance as to what constitutes an official uniform apart from the branding guidelines for corporate clothing contained in the guidelines.

The supplying of clothing under this section was limited to two group, Regulatory and Customer Services and did not appear to fall into the category of health and safety clothing. Without definitive guidance on what constitutes an official uniform compliance with section 12.1 cannot be determined.

No other issues were identified.

2.7 Section 13 – Donations and Gifts

51 cases of expenditure were identified and reviewed for donations and gifts. 37 were completed through the EPO system, 2 reimbursements through the payroll system and 12 were made using Council credit cards.

No variations from the policy were identified.

4. SUMMARY

A total of 522 incidents of sensitive expenditure were identified and reviewed. Apart from the 14 purchases for clothing identified that no assessment could be made due to uncertainty as to what constitutes an official uniform, no variations from the Sensitive Expenditure Policy were identified and all controls appear to be working well.

Jamie Dale
Risk Manager

Taupō District Council**Risk & Assurance Committee
Schedule of Policies**

Policy	Date of last review	Date of next review
Fraud Policy	May 2018	May 2021
Risk Management Charter	June 2019	June 2021
Protected Disclosures Policy	July 2017	June 2020
Conflict of Interest Guidelines – Staff	July 2017	June 2020
Procurement Policy	July 2018	July 2021
Sensitive Expenditure Policy	October 2017	September 2020
Business Continuity Plan	N/A	June 2020

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STANDING COMMITTEES

Risk and Assurance Committee

Standing Committee

Objective	To provide governance and oversight of the effectiveness of risk management and internal control and assurance practices.
	Mayor Deputy Mayor Chairperson, Emergency Management Committee Chairperson, Taupō Reserves and Roding Committee
Membership	Two Councillors, one of which to come from either the Mangakino/Pouakani Ward, Taupō East Rural Ward or the Turangi/Tongariro Ward Two independent external members appointed by Council, with full voting rights (one of which to be Chairperson)
Quorum	Four (4)
Meeting frequency	Quarterly, and more as required
Reporting	Reports to Council with minutes of each meeting being provided to Council

Scope of activity

1. Review the existence and quality of cost-effective internal control systems and the proper application of procedures and approving arrangements for any internal audits.
2. Consider and follow up reports to management issued by external auditors and external risk advisors and auditors, and ensure that management responses to those reports are adequate.
3. Approve arrangements for the annual external audit. The relationship between Council and the external auditor shall be set down formally in an audit engagement letter which addresses:
 - a) the auditor's responsibilities
 - b) Council's responsibilities
 - c) reporting and liaison obligations, including auditor's liaison with the committee
4. Discuss with the external auditor matters affecting the annual financial and non financial statements and the annual audit.
5. Reviewing governance policies associated with Council's financial accounting, risk management and internal control functions
6. Reviewing accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements
7. Review and approve the Council's Risk Management Charter for monitoring the Risk Register and Action Plan.
8. Review and approve Council's Fraud, Protected Disclosures, Procurement, Conflicts of Interest and Sensitive Expenditure Policies
9. Review any ratepayer enquiry investigated by the Audit Office or other regulatory agency
10. Review internal / external reports related to any protected disclosure, ethics, bribery and fraud related incidents.
11. The Committee is not restricted in its scope to any particular legislation.

Power to act

The Committee has the power to:

1. Resolve only on matters relating to audit risk management and internal control practices.
2. Co-opt suitably qualified people to the committee to assist the committee in meeting its responsibilities. With the exception of the Chairperson and second independent appointed member, co-opted members do not have voting rights.

Power to recommend to Council

The Committee can make recommendations to Council on matters or proposals relevant to risk management and internal control practices that:

1. Are outside of or in conflict with Council's Long-term Plan or policy direction
2. Have strategic or policy importance, except that the Committee shall have the power to resolve in respect of Council's Risk Management Charter and its Fraud, Protected Disclosures, Procurement, Conflicts of Interest and Sensitive Expenditure Policies.

Delegation of powers

The Committee may not delegate its powers to a sub-committee or other body.

Limits on authority

The Committee's 'power to act' pursuant to these delegations is subject to:

1. Matters being related solely to risk management and audit control.
2. An overriding responsibility to ensure that its actions and decisions are always within the law.
3. An overriding responsibility to ensure that its actions and decisions are within Council policy, OR if in conflict with a Council policy that this is explicitly identified in a report to Council and any relevant resolutions.