

ATTACHMENTS

Risk & Assurance Committee Meeting

9 June 2020

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Risk & Assurance Committee Meeting Minutes

10 March 2020

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE RISK & ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 107 HEUHEU STREET, TAUPŌ
ON TUESDAY, 10 MARCH 2020 AT 10.00AM**

PRESENT: Mr Anthony Byett (in the Chair), Mayor David Trewavas, Cr Kathy Guy, Cr John Mack, Cr Anna Park, Cr Christine Rankin, Cr John Williamson, Mr Danny Loughlin

IN ATTENDANCE: Cr John Boddy, Cr Kylie Leonard, Cr Kevin Taylor, Cr Yvonne Westerman
Chief Executive, Head of Regulatory and Risk, Head of Finance and Strategy, Head of Democracy, Governance and Venues, Head of Community, Culture and Heritage, Manager Legal and Compliance, Risk Manager, Senior Project Manager, Team Leader Strategic Partnerships, Strategic Partnerships Advisor, Democratic Services Officer

MEDIA AND PUBLIC: Taupō Times
Mr Leon Pieterse, Audit New Zealand
Mr Matthew Wilson and Ms Deanna Macdonald, AON
Mr Warwick Lampp, Electoral Officer, electionz.com
Mr John Dixon, PricewaterhouseCoopers

Note: Cr John Boddy left the meeting between 11.27am-11.29am and 11.43am. He was not present for resolutions RACC202003/07, and RACC202003/10-12.

1 APOLOGIES

Nil

2 CONFLICTS OF INTEREST

Nil

3 CONFIRMATION OF MINUTES

Nil

4 REPORTS**4.1 ELECTION OF DEPUTY CHAIRPERSON****RACC202003/01 RESOLUTION**

Moved: Cr John Williamson

Seconded: Cr Christine Rankin

That the Risk & Assurance Committee:

1. Confirms that System B be used to determine the election process for the Deputy Chairperson; and
2. Elects Cr Anna Park as the Deputy Chairperson of the Risk & Assurance Committee.

CARRIED

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4.2 PRESENTATION FROM AUDIT NEW ZEALAND

Mr Leon Pieterse, Director, Audit New Zealand addressed the Committee. He advised that areas of focus for this year's audit included revaluation of property, plant and equipment; infrastructure assets; investment properties; the new software system; key projects; and as always, management override. He added that Council could expect an increase in annual audit fees.

In answer to questions, Mr Pieterse advised that:

- 'Three waters' was another area of audit focus across the sector, in particular costs arising from Central Government's desire for local authorities to collaborate.
- Procurement practices and policy was also a topic for members to monitor closely.

In relation to 'three waters', the Chief Executive added that the biggest risk facing councils was compliance with drinking water standards. Council would have an opportunity to consider water funding as part of the next Long-term Plan process.

RACC202003/02 RESOLUTION

Moved: Mr Danny Loughlin

Seconded: Cr Anna Park

That the Risk & Assurance Committee approves arrangements for the annual external audit as set out in the Audit Engagement letter dated 28 February 2020 and the Audit Plan for the year ending 30 June 2020, and thanks Mr Leon Pieterse for his presentation.

CARRIED

4.3 PRESENTATION FROM AON - INSURANCE MARKET

Mr Matthew Wilson and Ms Deanna Macdonald made a PowerPoint presentation (A2659812) and answered questions. The following additional points were noted:

- Accurate valuations were key in terms of setting insurance limits.
- The insurance market would only pay up to specified building value limits.
- It was recommended that the insurance programme be set to cover realistic probable losses, rather than losses from cataclysmic events.
- Taupō District Council is part of the Bay of Plenty Local Authority Shared Services (BOPLASS) insurance programme. The insurance market is currently in a 'hard' cycle, with premiums increasing. AON works with multiple councils and this enables a collective approach to loss modelling which in turn brings premiums savings.
- Council was not covered for losses incurred as a result of COVID-19, as the infections diseases / pandemic clause in the policy would apply.
- Global market conditions affected the New Zealand insurance market, as all insurers have some form of off-shore ownership.
- Most losses in the last 5-10 years had been a result of weather-related events. While insurers were still covering such losses, the cost of doing so was increasing.
- Emerging trends included the rise of class action lawsuits and litigation funders, which were resulting in more plaintiffs; higher settlements; and more claims. Unfortunately councils were often held responsible and these trends were something insurers were monitoring carefully.
- Providing the best possible data would result in better insurance deals. Related to this was the need to start negotiations (i.e. go to the market) earlier.
- Underwriters also wanted to see a genuine commitment to asset management planning.
- In relation to Coronavirus, most travel underwriters would not cover loss of deposits for travel booked after 5 March 2020. The New Zealand safe travel website had more information.
- Emerging risks included cyber-terrorism and resulting data losses; and climate change.

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- Environmental impairment – losses resulting from gradual pollution were not covered; cover was only available for losses following a sudden event.
- Council was encouraged to work through the insurance strategy diagram presented as part of the PowerPoint (A2659812). It was important to consider financial ability to accept risk, and what could be done to increase resilience, in order to become a more discerning buyer of insurance.

RACC202003/03 RESOLUTION

Moved: Cr Christine Rankin

Seconded: Cr Kathy Guy

That the Risk & Assurance Committee receives the information and thanks the AON representatives for their presentation.

CARRIED**4.4 ELECTORAL OFFICER'S REPORT ON 2019 ELECTIONS**

Mr Warwick Lampp, Taupō District Council's Electoral Officer, electionz.com summarised his report which had been circulated with the agenda. He confirmed that in general, the elections ran smoothly and concluded by thanking Tina Jakes, Deputy Electoral Officer for her input into the elections process.

The Risk & Assurance Committee Chairperson added the Committee's thanks to Mrs Jakes.

In answer to questions, Mr Lampp advised that:

- The Office of the Auditor-General had withdrawn its 'elected member protocols for elections', but some alternative, independent guidance would be available for the next elections.
- The rules relating to candidates declaring election expenses did not apply to active lobby groups.
- Non-resident ratepayers were required to re-enrol every three years and many did not successfully complete this process and therefore did not vote.
- Compulsory voting was unlikely to come into force in New Zealand. It was noted that only approximately 70% of votes were cast properly in countries with compulsory voting.
- Although New Zealand Post was happy with its performance in the 2019 elections, Mr Lampp was aware of many examples of voting papers being delivered late. Return mail was less of a problem. The issue was likely to become more pronounced in the future.

RACC202003/04 RESOLUTION

Moved: Cr John Williamson

Seconded: Cr Kathy Guy

That the Risk & Assurance Committee receives the report from Electionz.com following the 2019 Local Government elections and thanks Mr Warwick Lampp for his presentation.

CARRIED**4.5 GRANTS & PARTNERSHIPS POLICY COMPLIANCE AUDIT - PRICEWATERHOUSECOOPERS**

Mr John Dixon, PricewaterhouseCoopers summarised the Grants & Partnerships Policy compliance audit report including recommended areas for improvement.

The Head of Community, Culture and Heritage added that staff were working through the issues raised and were committed to improving accountability. In answer to questions he advised that:

- Council had a clear, concise, automated application process which ensured documents were filed appropriately.
- The findings of the compliance audit would be shared with distributors in due course.
- A full review of the Grants & Partnerships Policy was coming up and the PwC recommendations would be taken into account as part of that review.

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RACC202003/05 RESOLUTION

Moved: Cr Anna Park
Seconded: Cr John Mack

That the Risk & Assurance Committee receives the report from PricewaterhouseCoopers - Taupō District Council Grants & Partnerships Policy and thanks Mr John Dixon for his presentation.

CARRIED**4.6 TREASURY MANAGEMENT POLICY COMPLIANCE AUDIT - DRAFT TERMS OF REFERENCE - PRICEWATERHOUSECOOPERS****RACC202003/06 RESOLUTION**

Moved: Mr Danny Loughlin
Seconded: Cr Kathy Guy

That the Risk & Assurance Committee approves the draft Terms of Reference for the audit of Council's compliance with its Treasury Management Policy.

CARRIED**4.7 PROJECT QUANTUM UPDATE**

The Senior Project Manager spoke to the report and answered questions. The following points were noted:

- Lessons learnt from Phase 1 were being applied to Phase 2.
- Impacts on the rest of the business were being managed with the help of a change manager on staff.
- Phase 1 was delivered well. Phase 2 would be much bigger, with more input required from the business.
- The project was not a regional project, however other councils, for example Rotorua, were also in the process of implementing Technology One software.
- The core project team was working well.
- Audit New Zealand would start their review of the project in April, with a particular focus on data migration and system controls.

In answer to a question, Mr Leon Pieterse from Audit New Zealand advised that his team would be relying on the new system going forward, so they were keen to ensure it was working as it should.

In answer to another question, the Senior Project Manager advised that contract costs were just over \$3m.

The Chief Executive added that contract costs with the supplier were stable. One of the learnings from Phase 1 related to staff input to achieve go-live. Overall costs would be higher and therefore captured in Annual Plan budgets.

Cr John Boddy left the meeting at this point (11.27am).

RACC202003/07 RESOLUTION

Moved: Cr John Williamson
Seconded: Cr Kathy Guy

That the Risk & Assurance Committee receives this report in addition to Audit NZ proposal for Quantum programme additional assurance (A2601531)

CARRIED

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4.8 CIVIL DEFENCE EMERGENCY MANAGEMENT - CAPABILITY AND ASSESSMENT REPORT

The Head of Regulatory & Risk explained that this report was provided to the Risk & Assurance Committee for assurance purposes, but the emergency management work programme and recommendations would be reviewed and approved by the Emergency Management Committee at its next meeting.

Cr John Boddy re-entered the meeting at this point (11.29am).

In answer to a question, Cr Anna Park confirmed that she was well aware of the findings of the report and some recommendations had already been enacted, for example 24/7 roster of local controllers and business continuity planning.

In answer to another question, the Head of Regulatory & Risk advised that Taupō District Council's overall score was one of the highest in the region.

RACC202003/08 RESOLUTION

Moved: Cr Christine Rankin

Seconded: Cr John Mack

That the Risk & Assurance Committee receives the capability and assessment report on Taupō District Council's Civil Defence Emergency Management.

CARRIED**4.9 STANDARD & POOR'S GLOBAL REPORT - LOCAL GOVERNMENT DEBT**

The Head of Finance and Strategy advised that Standard & Poor's was about to conduct its next annual review.

RACC202003/09 RESOLUTION

Moved: Mr Danny Loughlin

Seconded: Cr Christine Rankin

That the Risk & Assurance Committee receives the Standard & Poor's Global report dated 16 February 2020 and entitled "New Zealand Councils Can Carry Growing Debt".

CARRIED**4.10 6 MONTHLY REVIEW OF SENSITIVE EXPENDITURE**

The Risk Manager summarised the report. In answer to questions, the Chief Executive advised that:

- Many of the 51 instances of donations and gifts would be flowers sent for various reasons.
- The Senior Leadership Team would be considering Council-issued clothing to ensure a uniform approach to clothing purchases across the business.

Cr John Boddy left the meeting at this point (11.43am).

RACC202003/10 RESOLUTION

Moved: Cr John Mack

Seconded: Mr Danny Loughlin

That the Risk & Assurance Committee receives the information in the Sensitive Expenditure Report for the period 01 January 2019 to 30 June 2019.

CARRIED

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4.11 RISK & ASSURANCE COMMITTEE SCHEDULE OF POLICIES FOR REVIEW

The Head of Regulatory & Risk suggested that the Committee add "Insurance Strategy" to the schedule of policies for review.

RACC202003/11 RESOLUTION

Moved: Cr Anna Park

Seconded: Cr Kathy Guy

That the Risk & Assurance Committee receives the Schedule of Policies for review.

CARRIED**5 CONFIDENTIAL BUSINESS****RACC202003/12 RESOLUTION**

Moved: Mr Anthony Byett

Seconded: Cr Kathy Guy

RESOLUTION TO EXCLUDE THE PUBLIC

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

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48[1] of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for the passing of this resolution |
|---|--|---|
| Agenda Item No: 5.1 Litigation Update | Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege | Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7 |

I also move that *Mr Leon Pieterse, Audit New Zealand* be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of *audit processes*.

CARRIED

The meeting closed at 11.55am.

The minutes of this meeting were confirmed at the Risk & Assurance Committee meeting held on 9 June 2020.

.....
CHAIRPERSON

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CONTROLLER AND AUDITOR-GENERAL
New Zealand | Tumuaki o te Mana Arotake

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23 April 2020

John Ryan

Kia ora koutou

RESPONDING TO COVID-19 AND AUDIT FEES

I realise this is an extremely busy and challenging time for you and your organisation. I wish you, your staff, and your communities the very best in these unprecedented circumstances. The priority for us all is to maintain the health and well-being of our staff while responding to the COVID-19 pandemic and maintaining critical service delivery.

There has been a lot of information and advice distributed as the pandemic has spread. While I don't want to add to this unnecessarily, I did want to highlight a few key matters from my point of view that I hope will be of assistance to you.

The first is about maintaining sound governance practices and controls. While much of this is self-evident, we often see that failure to keep an eye on the basics is where problems occur. Earlier this month, I wrote to the chief executives of government departments and district health boards setting out some key governance and control matters they may wish to consider. This letter is available [on our website](#).

We have also written a blog about how [audit and risk committees](#) can be crucial to helping councils work through issues associated with the response to, and recovery from, the pandemic. Balancing risks and providing advice to councils when hard decisions are required is one of the key functions of an audit and risk committee, and one we strongly recommend you use their expertise for. We have already seen some excellent examples of this working in practice. Your committee will also play an important role in considering the many financial and performance reporting matters resulting from COVID-19.

I also wanted to update you on audit-related matters. I have made it clear publicly that I believe a quality audit is critical at all times, but even more so when there is a high level of uncertainty about the future. We recognise that some councils might be concerned about their ability to complete their statutory financial reporting requirements in the current environment. I am sympathetic to that. When my Office reports on statutory deadline breaches we will ensure that the context for any breach, such as COVID-19, is part of any reporting we do.

My Office is also committed to working with you to minimise any disruption that our audit work might have, while allowing us to deliver essential assurance to Parliament and the public during this time. I have asked my auditors to remain as flexible as they can as they work with you to carry out our audit work. However, it is important to note that in order to carry out an audit, auditors need the information they request and enough time to carry out the quality audit that I expect.

I have also carefully considered the matter of annual audit fees for those of you who do not currently have a contract in place. You might be aware that we have had, for a number of years, a significant and growing under recovery of audit fees across much of the local government sector. This reflects, in large part, the increased requirements on auditors, changes and growth within organisations, and changes in what needs to be audited, as well as the competitive market for audit staff. Because Parliament expects me to fund the cost of audits from audit fees, this is clearly not a sustainable position.

However, this is not the time to increase annual audit fees by the amount that might otherwise be warranted. There are significant pressures on council finances at this time, and while audit fees will need to increase more substantially in the future, I have decided that for the 2019/20 annual audit, audit fees that have not yet been negotiated are to be held at a 1.5% increase. This attempts to balance the very real cost pressures both of us face. In the meantime, I am allowing audit fees for many CCOs to be renegotiated, and some of those renegotiations will already be under way.

As signalled above, I expect that, because of the pandemic, governors and preparers will need to consider a range of potential effects on the financial and non-financial information reported in accountability documents. I expect that some of those matters might require additional audit work, and although I am holding fees for the underlying audit to 1.5% for the 2019/20 annual audit, my auditors will need to discuss recovery of costs for any additional work with you in due course.

I also recognise that we are leading up to the next long-term plan round and I will be in touch with you about that shortly. The need for long-term planning has never been more important than it is now. The recovery from COVID-19 will take a long time. Councils will need to be clear with their communities about their plans, and the implications of these, during this recovery. A long-term plan is an important mechanism for achieving this accountability and transparency.

Finally, there are a large number of uncertainties in all our operating environments at the moment and some way to go before any return to what we may consider a more normal world. If you have questions or matters you would like to raise with my Office at any time, please discuss these with your appointed auditor or your sector manager.

Ngā mihi nui



John Ryan
Controller and Auditor-General



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

745 Cameron Road, Tauranga 3112
PO Box 621, Tauranga 3144
Telephone (04) 496 3099

4 May 2020

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

Ref: EN/LCA/3-0041 (R803)
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Dear David

Proposal to conduct the audit of Taupō District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021, and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2020 and reasons for any change. We will agree the fees for the financial years ending 30 June 2021 and 30 June 2022 at a future date;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and

- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that "the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited".

Fees for audits of public entities are set by the Auditor General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are "reasonable" for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited. The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place. He has decided that for the 30 June 2020 audit, audit fees are to be held to a 1.5% increase over the agreed fee for the 30 June 2019 audit. This attempts to balance the very real cost pressures that your Council and his Office currently face. The Auditor-General also noted that he expects that there will be a range of effects of the COVID-19 pandemic that may require additional audit work, and that auditors will need to discuss recovery of costs for that with Councils in due course, once these costs are known.

The Auditor-General also advised that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. Because Parliament has indicated that it expects the cost of annual audits under the Act (including an OAG Audit Standards and Quality Support fee) to be funded by public entities, this is clearly not a sustainable position. It is also potentially creating a very real risk to maintaining consistent audit quality over time, which has been raised by audit regulatory bodies here and overseas.

Audit fees will, in the future, need to be increased to reflect the real costs. These increases will vary depending on the reasonableness of the current fee. So for the subsequent years of the contract, 2021 and 2022, your Council and I will in, due course, have the opportunity to discuss those real costs, and endeavour to reach agreement about reasonable fees that can be recommended to the Auditor-General for approval. The Auditor General, with assistance from the OAG, will directly set audit fees, but only if we fail to reach agreement.

To ensure that the level of audit effort required (and the reasons for it) are visible to your Council, this proposal includes an estimate of the total hours and indicative cost required to complete an efficient and quality audit of your Council (this is set out in sections 5 and 6). We expect to incur these hours in 2020, although the constrained fees will clearly not reflect the full cost of them.

3 Entities covered by this proposal

This proposal covers the audits of Taupō District Council and Group.

The audits of the Council's subsidiaries are the subject of separate audit proposal letters.

4 Key members of the audit team

| | |
|------------------|-----------------------------|
| Leon Pieterse | Appointed Auditor |
| David Walker | Engagement Quality Reviewer |
| Kataraina Macown | Audit Manager |

5 Estimated audit hours

We estimate that the following hours will be required to carry out the 30 June 2020 audit (compared to the budgeted hours set out in your last APL and actual data from the previous financial year):

| Audit team member | 2019 budget | 2019 actual* | 2020 |
|--------------------------|-------------|--------------|------------|
| Appointed Auditor | 52 | 77 | 60 |
| EQCR Director | 6 | 20 | 12 |
| Audit Manager | 86 | 114 | 90 |
| Other CA qualified staff | 215 | 412 | 240 |
| Non CA qualified staff | 374 | 477 | 400 |
| Other specialists | 34 | 37 | 35 |
| Total audit hours | 767 | 1,137 | 837 |

***Note** – actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

The main reasons for the actual hours in 2019 being higher than budget were:

- additional work required where reliance could not be placed on controls at the District Council (accounts payable system); and
- rework and inefficiencies as a result of late, incomplete, insufficient and/or inaccurate information provided.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

| Reasons for changes in audit hours compared to estimated audit hours set out in previous APL: | 2020 |
|---|------|
| <p>Changes within the entity, or in its environment – such as changes in the entity's activity, systems, risk profile, or complexity, which have resulted in a change to the size or complexity of the audit.</p> | |
| <ul style="list-style-type: none"> Sensitive expenditure – All councils operate in an environment where ratepayers and other stakeholders expect high levels of ethical behaviour and want more transparency over how this is managed. This means they need robust policies and processes in areas such as fraud, bribery and corruption, and sensitive expenditure. They also need to demonstrate that they manage these areas effectively. <p>The increased sensitivity and risk in these areas, which is also reflected in the OAG briefs to auditors, has flowed through to our audit and the work we do. In particular, we will now be undertaking additional testing of the Chief Executive and Chair/Mayor's expenses every year.</p> | 15 |
| <ul style="list-style-type: none"> Asset valuations – funding challenges, combined with greater community awareness and expectations over the resilience and performance of core assets, have increased the importance of, and risks associated with, council's asset related practices such as continually improving its asset condition information and developing more advanced management practices. These in turn increase the complexity of council's asset revaluations and fair value assessments. <p>We have increased the time required for this work because of additional testing required on the assumptions and unit rates applied to each valuation and discussions required with the valuers and Council staff.</p> <p>Our hours and fees are based on one revaluation for each class of asset in the three year period and are incorporated into our overall hours and spread evenly across the three years.</p> <p>Any additional revaluations we are required to audit will be charged separately.</p> | 20 |
| <ul style="list-style-type: none"> Rates – Recent court cases have highlighted the risks council faces in relation to its rating processes. Seemingly minor procedural or documentation errors have the potential to undermine council's major revenue stream. Council's increased risks have impacted on our approach to auditing Rates, and we now perform more testing on both individual rates and the information held in the RID. | 10 |

| Reasons for changes in audit hours compared to estimated audit hours set out in previous APL: | 2020 |
|--|-----------|
| <ul style="list-style-type: none"> Estimations and judgements - significant accounting estimations, accruals and judgements, for example, landfill aftercare costs and employee entitlements, are significant to the council's financial statements and present a risk of material misstatement. As council's knowledge of the underlying issues improves, these estimations and judgements become more complex and present a higher risk, which increases our required audit response. | 13 |
| <ul style="list-style-type: none"> Non-financial reporting – in the light of recent events, including natural disasters, the results of the Havelock North water enquiry, and the impacts of climate change, ratepayers and other stakeholders focus on local authorities' core services has increased. This has increased our assessment of risk in these areas which in turn has increased both the number of measures we identify as material and the amount of testing we do on these. <p>In addition, the mandatory performance measures present a heightened risk to council's reporting due to the range of interpretation and non-compliance issues that have been identified across the sector in recent years.</p> | 12 |
| Total change in audit hours | 70 |

6 Proposed audit fees

Our proposed fees for the 2020 audit (compared to budgeted and actual data from the previous financial year) is:

| Structure of audit fees | 2019 budget fees | 2019 actual fees charged (*) | 2020 |
|--|------------------|------------------------------|----------------|
| | \$ | \$ | \$ |
| Net audit fee | 128,138 | 153,138 | 130,060 |
| OAG Audit Standards and Quality Support fee | 11,613 | 11,613 | 11,787 |
| Total audit fee (excluding disbursements) | 139,751 | 164,751 | 141,847 |
| Estimated disbursements | 13,000 | 12,251 | 13,000 |
| Total billable audit fees and charges | 152,751 | 177,002 | 154,847 |
| GST | 22,913 | 26,550 | 23,227 |
| Total (including GST) | 175,664 | 203,552 | 178,074 |

*** Note** – 2019 actual audit fees charged were \$164,751 (excluding disbursement), compared to our 2019 audit costs of \$208,495. These costs have not been adjusted to eliminate any matters arising from auditor inefficiencies.

The estimated cost of an efficient audit on a full recovery basis for your Council in 2020 is in the range of \$159,428 to \$164,928 (excluding disbursements), that is, about \$25,177 or 18% more than the 2019 fee. Over the next two years (2021 and 2022) we expect that the audit fee charged will progressively move to more fairly reflect our actual costs of performing your Council's audit.

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fees. As set out in section 2, these fees have been held at a 1.5% increase over the agreed audit fee for 2019.

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.

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and

- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, including as a result of the effects of the COVID-19 pandemic, we will discuss the issues and potential recovery of costs with you and the OAG at the time. In order to minimise additional auditor time on the potential effects of COVID-19 on your financial statements and service performance information, the Council should ensure that it considers those potential effects as early as possible and discusses them with the appointed auditor to ensure “no surprises” to either party.

7.1 Exclusions

The proposed hours set out in section 5.1, and our fees do not include the potential impact of the following, which may affect your entity in 2020, 2021, and/or 2022, as we are unable to assess their impact at this time:

- The future impact of changes to accounting standards, including:
 - PBE IPSASs 34 to 38;
 - *IFRS 9* – should the Council early adopt; and
 - PBE FRS 48.
- Changes to auditing standards including; NZ AS 1, ISA (NZ) 315 and ISA (NZ) 540.
- The government’s three waters review, including its announcement of a Crown Entity to regulate drinking water.
- Any future impact on the Council’s reporting due to the re-introduction of the four well-beings into the Local Government Act in May 2019.
- The Productivity Commission’s review of local government funding and financing.
- The impacts of future growth within the Council’s area.
- The impacts of any new initiatives or funding sources related to either the Provincial Growth Fund or the Housing Infrastructure Fund.

8 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;

- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Please return a copy of the signed letter to me for our records to:
confirmationsnorthern@auditnz.parliament.nz

Yours sincerely



Leon Pieterse
Appointed Auditor
Audit New Zealand

I accept the audit fees for the audit of the three financial years as stated above.

| | | | |
|-----------------------|-------------------------------|-----------|--------------|
| Full name: | <u>David Trewavas</u> | Position: | <u>Mayor</u> |
| Authorised signature: | <u></u> | Date: | <u></u> |
| Entity name: | <u>Taupō District Council</u> | | |

**INTERNAL AUDIT/REVIEW OF SENSITIVE
EXPENDITURE FOR THE PERIOD
01 July 2019 – 31 December 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 July 2019 to 31 December 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 Risk & Assurance Committee for the credit card issued to the Mayor.

During the 6 months covered by this audit/review a total of 350 transactions were made on council credit cards with 134 of these directly related purchases that fall within the definition of sensitive expenditure.

Clause 7.4 of the policy states, *'The use of Council credit cards for private expenditure or credit is prohibited except in exceptional circumstances, where prior approval is required. In these rare cases the expenditure is to be fully reimbursed to Council prior to the monthly credit card payment being due.'*

For the period in question, there were some declared private purchases that were subsequently reimbursed, but missed the cut-off to meet specified policy reimbursement deadline requirements. However, these were not material in dollar value and reflect only a very small quantity relative to overall

Sensitive Expenditure Policy Audit/Review July – December 2019

Page 1 of 3

credit card usage. Reconfirmation of Council's policy in this regard is being shared with all credit card holders to ensure requirements are fully understood.

2.2 Section 8 – Travel & Accommodation

287 expenditures for accommodation and travel were identified and reviewed. These consisted of 186 using the EPO system, 39 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.

No variations from the policy were identified

2.3 Section 9 – Meals/Food & Refreshments

155 individual expenditures were identified and reviewed for meals/food and refreshments. These consisted of 101 using the EPO system, 35 reimbursements through the payroll system and 19 were made using council credit cards and reviewed under that section.

No variations from the policy were identified

2.4 Section 10 – Entertainment and Hospitality

38 individual expenditures were identified and reviewed for meals/food and refreshments. These consisted of 8 using the EPO system, 5 reimbursement through the payroll system and 25 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

No goods and services expenditure were identified.

2.6 Section 12 – Staff Support and Welfare Expenditure

96 individual expenditures were identified and reviewed for staff support and welfare. These consisted of 75 using the EPO system, 10 reimbursements through the payroll system and 11 made using council credit cards and reviewed under that section.

43 purchases of clothing for staff were identified in this review with a value of \$32,600.00. The proper delegated authorities were followed for the purchase of such items. As identified in the previous review of sensitive expenditure, 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'*. In the absence of any guidance as to what constitutes an official uniform and where they are to be worn compliance with the policy cannot be demonstrated.

This matter will not be an issue for future reports due to a change to budget policy (and therefore expectations in this area).

No other issues were identified.

2.7 Section 13 – Donations and Gifts

61 individual expenditures were identified and reviewed for donations and gifts. 42 were completed through the EPO system, 2 reimbursements through the payroll system and 17 were made using Council credit cards.

No variations from the policy were identified.

4. SUMMARY

A total of 987 incidents of sensitive expenditure were identified and reviewed. Apart from the 7 incidents where personal expenditure on credit cards did not meet the requirements for prior approval and reimbursement timeframes and 43 purchases for clothing identified no variations from the Sensitive Expenditure Policy were identified.

It is recommended that a formal guidance on what clothing is considered to be an official uniform, who can receive it and when, is developed. Currently there appears to be little or no controls in place across the organisation.

It is also recommended that all persons currently holding a Council issued credit card are reminded of the requirement to obtain prior approval if they wish or need to use the card for personal expenditures and that reimbursement is made as soon as practicable and always before the card statement is received.

Jamie Dale
Risk Manager



Business Continuity Management Policy & Framework

Taupō District Council

Version 1.0 - March 2020

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Review and Approval

| | | |
|--------------|-------------|--|
| Prepared by: | Name | |
| | Designation | |
| | Date | |
| Reviewed by: | Name | |
| | Designation | |
| | Date | |
| | Signature | |
| Approved by: | Name | |
| | Designation | |
| | Date | |
| | Signature | |

Version Control

| Version No. | Author | Date of Changes |
|-------------|--------|-----------------|
| 1.0 | | |

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1.0 Policy

1.1 Introduction

This Policy and Framework outlines Taupō District Council's approach to developing and maintaining an effective Business Continuity Program. This includes the objectives and scope of the program, leadership requirements, roles and responsibilities, team structures, workflows for each part of the Business Continuity lifecycle and processes for monitoring performance.

1.2 Purpose of this Business Continuity Program

The purpose of this Business Continuity Program is to establish an effective, documented methodology to "protect against, reduce the likelihood of occurrence, prepare for, respond to, and recover from disruptions when they arise" (ISO 22301).

This Business Continuity Program ensures the operational integrity of critical business functions and ensures that such business functions can be maintained or restored within acceptable timeframes should a business continuity event disrupt Taupō District Council's operations.

1.3 Business Continuity Objectives

The objective of the Taupō District Council Business Continuity Program is to maintain the best possible services for key stakeholders by minimising the impact that an unplanned event could have on the viability of the organisation and provision of its client services. This includes:

- Ensuring the safety and welfare of the community and personnel.
- Protecting the organisation's image and reputation.
- Maintaining a level of client satisfaction.
- Enhancing organisational stability.
- Reducing risk exposures and potential economic losses.
- Minimising legal liabilities.
- Anticipating and satisfying future regulatory requirements.

1.4 Scope of this Business Continuity Program

The scope of Business Continuity Management covered by this Policy and Framework includes all critical business areas operating throughout the Taupo District. It includes all staff within these business areas, that:

- Are designated with responsibilities for the management of business continuity activities, prior to or proceeding a business continuity event.
- Affected by any business continuity event and/or any staff responsible for undertaking any actions in relations to the management of, or response to, a business continuity event.

1.5 Assumptions

The assumptions made for this Policy and Framework document are as follows:

- In the event of a business disruption, Taupō District Council will not be operating at its normal capability and performance. The organisation will be operating a reduced capacity, or a level which is sufficient to perform and maintain critical business functions.
- A disruption does not occur concurrently at both primary operating site(s) and alternate site(s).
- Business operations will require time to resume full capability, capacity and performance.

This will require Taupō District Council to ensure that:

- Each critical business area identifies Recovery Time Objectives (RTO), Maximum Allowable Outage (MAO), and the Minimum Operating Requirements for staff, equipment, systems and applications and vital records in their respective Business Impact Analysis (BIA).
- The Risk and Assurance Committee approves the Strategy and allocated these resources to fulfil the requirements of approved critical business functions.
- Resources have been allocated and made available based on the Minimum Operating Requirements of all critical business areas in a disruption environment.
- Alternate Site(s) be identified and established for the resumption of critical business functions. Taupō District Council will make its best efforts in preparing and equipping alternate sites to support recovery of critical business functions.

- The procedures and processes documented in Business Continuity Plans and other supporting plans be tested, maintained and updated on a regular basis.

1.6 Criterion for Activation of Business Continuity Plans

Activation of Business Continuity Plans will be in response to an actual or potential disruption to the organisation's critical business functions. Potential scenarios include:

- Temporary denial of access to site/buildings.
- Sustained loss of or disruption to critical infrastructure
- Total loss of building/s.
- Loss of key people/human loss.
- Critical service providers.
- Sustained loss of IT and communications systems.

1.7 Managing the Risk

The identification and management of high impact events is of critical importance in maintaining business operations. This will be achieved by conducting a Threat Assessment within the context of 'Disruption Risk' to identify potential threats and Plausible Disruption Scenarios that may trigger activation of a Business Continuity Plan.

1.8 Maintaining this BCM Policy and Framework

In accordance with best-practice standards, this Policy and Framework shall:

- Be available as documented information.
- Be communicated within and throughout the organisation.
- Be available to all interested parties, as appropriate.
- Be reviewed for continuing suitability at defined intervals and when significant change occurs.

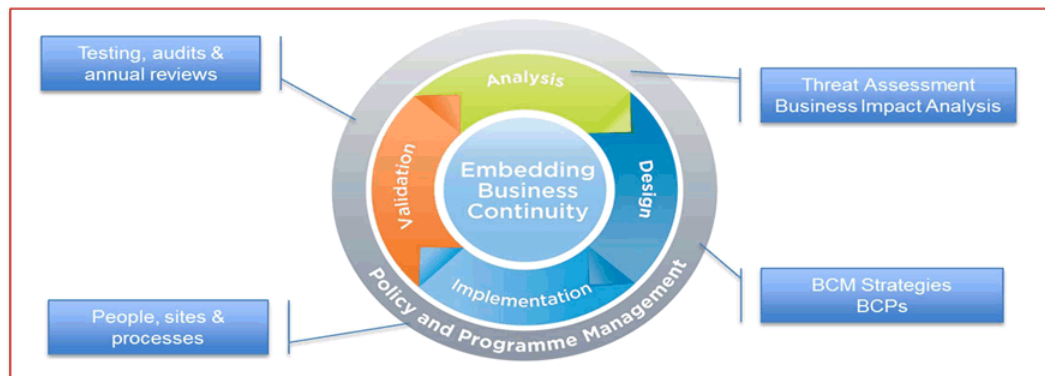
1.9 External References

- Business Continuity Institute 'Good Practice Guidelines 2018'.
- ISO 22301:2019, Security and resilience - Business continuity management systems – Requirements.
- ISO 22330:2018 – Guidelines for people aspects of business continuity.
- ISO 31000: 2018, Risk Management Standard.
- Industry specific legislation, standards and codes of practice.
- Civil Defence Emergency Management Act 2002
- Local Government Act 2002
- PAS200:2011 Crisis Management – Guidance and Good Practice

2.0 Business Continuity Program Framework

2.1 Definition of Business Continuity Management

Business Continuity Management (BCM) is a systemised approach that includes policies, standards and procedures for ensuring that critical business activities can be maintained or recovered in a timely fashion in the event of a disruption. Its purpose is to minimise the financial, legal, regulatory, reputational and other material consequences arising from a disruption.



Taupō District Council's BCM program addresses requirements for each phase of the business continuity lifecycle as detailed in the above diagram.

2.2 The Taupō District Council Business Continuity Program

In accordance with the BCM lifecycle and best-practice standards, Taupō District Council's approach to BCM incorporates the following components:

- Creation and ongoing maintenance of this Policy and Framework, which must be approved by the Taupō District Risk and Assurance Committee.
- Development and ongoing review of an organisation-wide Threat Assessment which identifies all potential sources of disruption risk. These sources of risk will be analysed and prioritised for treatment. The Threat Assessment will also identify Plausible Disruption Scenarios. This Threat Assessment will form part of Taupō District Council's Risk Management Charter.
- Development and ongoing review of a Business Impact Analysis (BIA) for all business areas which identifies all critical business functions, resources and infrastructure that would have a material impact on operations if disrupted.
- Identification of appropriate business continuity strategies for protecting infrastructure; stabilising the situation; continuing, resuming and recovering critical business functions; and mitigating the impacts of an event.
- Development, implementation and ongoing maintenance of Business Continuity Plans for relevant business areas.
- Where material business activities are outsourced, Taupō District Council has satisfied itself as to the adequacy of the outsourced provider's Business Continuity Plan.
- Management of a program for testing Business Continuity Plans and supporting procedures.
- Management of a program for training staff with designated responsibilities during a disruption and for the development of general BCM awareness for all staff.
- Management of a process for reviewing, evaluating and monitoring all components of Taupō District Council's Business Continuity Program on a periodic basis as defined by this Policy and Framework.

2.3 Leadership and Commitment

The Risk and Assurance Committee will have overall accountability for the development, implementation and maintenance of the Taupō District Council Business Continuity Program, ensuring that objectives established for the Business Continuity Program are compatible with the strategic direction of the organisation.

The Committee can delegate the endorsement and approval of all business continuity documents to the Taupō District Council Senior Leadership Team

2.4 Roles, Responsibilities and Authorities

The following parties have been delegated responsibilities in overseeing the Taupō District Council Business Continuity Management Program.

| Who | Responsibility |
|---|---|
| Taupō District Council Senior Leadership Team | <ul style="list-style-type: none"> • Responsible for the management of the organisation's Business Continuity Program as part of its corporate governance role. • Provide visible support and endorsement for BCM by communicating the importance of effective business continuity management and promoting continual improvement. • Ensure that appropriate financial and people resources are available to establish and manage an effective program. • Approve the content of, and any subsequent amendments to, this Policy and Framework and distribute to the Taupō District Council Risk and Assurance Committee. • Ensure the integration of this Business Continuity Program into the organisation's business processes. • Ensure the performance of this Business Continuity Program is reported to Risk and Assurance Committee. • and facilitate communications relating to the Business Continuity Program throughout Taupō District Council. |
| Business Unit Recovery Managers | <ul style="list-style-type: none"> • With support from the Risk Manager coordinate updates to Business Continuity Plans to reflect changes within their respective business area. • All material amendments to individual BCPs must be submitted to the relevant Head of Department for approval |
| Risk Manager / Project Sponsor | <ul style="list-style-type: none"> • Maintain the currency of this Policy and Framework document and provide updates on significant changes of BCPs to the Taupō District Council [Senior Leadership Team / Risk and Assurance Committee] • Coordinate the regular review and assessment of the recovery strategies outlined in BCPs as well as the adequacy of associated insurance, financial and resource provisioning. Where there is a material change in this assessment, BCPs are to be updated to take into account and to make adequate provisioning for these changes. • Coordinate regular testing of the validity, integrity and practicality of implementing BCPs. • Report on the performance of this Business Continuity Program to the Taupō District Council Audit and Risk Committee |

3.0 BCM Teams

3.1 Taupō District Council Executive Team (pre-crisis and post crisis)

The Taupō District Council Senior Leadership Team is responsible for:

- Overseeing the development, implementation and maintenance of the Business Continuity Program.
- Approving and allocating sufficient resources to facilitate resumption of critical business functions within approved RTO's.
- Ensuring that this Business Continuity Program and BCM activities are reviewed on a periodic basis.

3.2 Crisis Management Team

The Taupō District Council Crisis Management Team (CMT) is responsible for strategic management of an incident. This includes:

- Determining the strategy for ensuring an effective conclusion to the crisis.
- Responding to issues as they arise.
- Making decisions and giving instructions on the management of the crisis.
- Obtaining any relevant background information from internal and external sources.
- Ensuring key stakeholders are identified and kept informed of events.
- Managing internal and external communications.
- Ensuring funds are available as required.
- Ensuring clear differentiation between crisis management, local emergency management, and business recovery management.

Activation of BCPs will be authorised by the Crisis Manager and/or relevant team member representing the affected Business Unit/s. Activation of BCPs will involve notification to members of the CMT. Alternates will be allocated for each role in the CMT in the event that a primary member of the team is unavailable.

3.3 Business Unit Recovery Manager (Business Continuity Team)

Depending on the nature of the incident, relevant Business Unit Recovery Managers will form a Business Continuity Team to coordinate activation and implementation of BCPs.

Pre-crisis:

Business Unit Recovery Managers are responsible for ensuring that:

- Critical business functions and recovery timeframes are appropriate for the nature and scope of work performed by the Business Unit.
- BCPs remain current.
- Key staff within department have access to BCPs.
- Training is provided to staff to facilitate effective activation of BCPs.

During a Crisis:

Business Unit Recovery Managers are responsible for providing leadership, guidance and support to their Business Units during a Business Continuity event. They will be responsible for activation of their Business Continuity Plans and managing, in conjunction with the CMT, local level recovery efforts. Other functions include:

- Providing initial notification of an incident to their teams.
- Providing regular updates of the incident and recovery efforts to staff.
- Ensuring critical work processes continue in accordance with BCP recovery objectives.
- Managing business continuity arrangements for their business units.
- Providing regular updates to the CMT on status of recovery efforts, resource requirements and staff welfare.

Post-crisis:

Business Unit Recovery Managers are responsible for:

- Conducting a debrief of the incident.
- Evaluating communication and information flows.
- Identifying and implementing actions to improve recovery capabilities.

4.0 Implementing the Business Continuity Framework

4.1 Threat Assessment

Managing risk:

The identification and management of high impact risk events is of critical importance in maintaining operations at Taupō District Council. A Threat Assessment will be conducted to identify any threats that have the potential to harm Taupō District Council and necessitate the use of a Business Continuity Plan.

Overview:

Conducting a Threat Assessment as part of this Business Continuity Program involves a process of risk identification, risk analysis and risk evaluation. The objective of conducting a Threat Assessment is to identify and treat sources of risk that have greatest potential to result in activation of a Business Continuity Plan. This also involves the identification of Plausible Disruption Scenarios. These scenarios will form the basis for developing recovery strategies that feed into the Business Continuity Plans.

Threat Assessments will be conducted in accordance with principles defined by ISO 31000 and Taupō District Council's Risk Management Charter. This includes the following:

- Analysis will be conducted in the context of Disruption Risk which relates to those events that have potential to result in activation of the BCP.
- Risk ratings will be established for the quantitative assessment process in accordance with Taupō District Council's risk appetite.
- Risk ratings are established around relevant people, financial, legislative compliance, quality, reputational, strategic growth and other impacts.
- Threats will be assessed based on their likelihood of occurrence as well as the consequence of a threat resulting in relevant disruption scenarios.

Methodology:

The process for conducting a Threat Assessment is detailed in the following table:

| Threat Assessment | | |
|------------------------|--|-----------------------------------|
| Step | Requirement | Responsibility |
| Information Collection | Conduct interviews and facilitate workshops to collect information relating to: <ul style="list-style-type: none"> • Potential sources of risk. • Likely causes. • Existing control measures. | Risk Manager Function Managers |
| | | |
| Risk Analysis | Establish and approve risk ratings. | Risk Manager Function Managers |
| | Assess and categorise all identified disruption related risks. | |
| | Group risks into key disruption scenarios. | |
| | Confirm threat assessment. | Senior Leadership Teams |
| Risk Treatment | Identify gaps in control measures and document. | Risk Manager Function Managers |
| | Implement treatment plans. | |
| | Monitor and review. | |

4.2 Business Impact Analysis

Overview:

This involves identification of recovery priorities for all business areas. It includes critical business functions, recovery timeframes and required resources. This stage also includes an objective assessment of a business continuity event in relation to the following:

- Community and Stakeholder impacts.
- Financial impacts.
- Impacts on the Taupō District Council's business reputation and its ability to maintain the confidence of key stakeholders.
- Ability for Taupō District Council to continue to meet (or otherwise) its operational, financial, legal, regulatory and other material obligations to stakeholders.
- Estimated time Taupō District Council could reasonably continue to operate successfully and continue to meet its obligations to stakeholders while seeking to address and recover from the disruption to critical business functions, resources and infrastructure.

Methodology:

Each business area will identify their recovery priorities by completing the following activities:

| Business Impact Analysis | | |
|--------------------------------------|---|-----------------------------------|
| Step | Requirement | Responsibility |
| Capture recovery information | Conduct interviews and facilitate workshops to collect the following information: <ul style="list-style-type: none"> • Business processes and their recovery timeframes. • Critical services, systems, applications, resource requirements and internal/external dependencies. | Risk Manager Function Managers |
| Prioritise critical functions | Complete Process Impact Analysis including: <ul style="list-style-type: none"> • Categorisation of business processes. • Determination and prioritisation of critical business processes. • Identification of Maximum Allowable Outage (MAO) and Recovery Time Objectives (RTO) for each business process. | Risk Manager Function Managers |
| Validation | Approve business area recovery priorities | Senior Leadership Teams |

4.3 Identification of recovery strategies

Overview:

Taupō District Council will identify strategies to facilitate the recovery of critical business functions within agreed timeframes. This includes strategies to reduce the impact of an event, including:

- Protecting property and infrastructure.
- Stabilising the situation.
- Continuing, resuming and recovering critical business functions.

Strategies will examine:

- Recovery team structures and critical roles. This includes activation, escalation and communication procedures.
- Incident management procedures. This includes strategies relating to how an incident is detected, assessed, monitored, recorded and communicated.
- Recovery action plans. i.e. loss of IT and communications systems, temporary denial of access to site/ buildings, total loss of buildings, loss of key people, loss of material service provider.
- Redundancy options for physical sites, operational infrastructure and technology.

Methodology:

Strategies will leverage off the recovery priorities identified in 4.2 and will consider key disruption scenarios derived from the Threat Assessment process in 4.1.

A process to manage the risk will be applied when selecting strategy options. This includes:

- Reducing the likelihood of a disruption.
- Reducing the period of disruption.
- Limiting the impact of disruption.

4.4 Business Continuity Plans

Taupo District Council will develop, implement and maintain Business Continuity Plans that provide sufficient information to enable the organisation to respond to disruptions caused by a business continuity event, to recover critical business functions that may be impacted and to resume normal business operations.

Business Continuity Plans (BCPs) cater to the following activities in the event of an incident or major disaster:

- Pre-incident preparation.
- Responding to an incident, emergency or disaster.
- Recovering and resuming critical business functions.
- Restoring and returning all business operations.

BCPs address the unique organisational structure and requirements of Taupo District Council and follow a consistent structure and layout, containing unique business area considerations based on outputs from work completed in 4.1, 4.2 and 4.3.

BCPs will contain all critical information and be structured in a logical flow that provides a standardised protocol for managing disruption events. They will be supported by quick reference tools to provide further practical guidance in the event of plan activation.

All plan recipients will be provided with the required training in the use of their plans and tools.

Activation of Business Continuity Plans will be in response to an actual or potential disruption to Taupo District Council's critical business functions. Potential scenarios include:

- Temporary denial of access to site/buildings
- Sustained loss of or disruption to critical infrastructure
- Total loss of building/s
- Loss of key people/human loss
- Loss of critical supplier.
- Sustained loss of IT and communications systems

Methodology:

The process for developing Plans is detailed in the following table.

| Business Continuity Plans | | |
|----------------------------------|--------------------------------------|-----------------------------------|
| Step | Requirement | Responsibility |
| Plan Structure | Develop BCP templates | Risk Manager |
| Plan Development | Populate BCP templates | Risk Manager Function Managers |
| Plan Approval | Approve draft BCPs | Senior Leadership Team |
| | Roll out BCPs to nominated personnel | Function Managers |

4.5 Training and Testing

Training:

Training will be provided to relevant staff to build a proactive business continuity culture and to continually improve Taupō District Council's level of resilience.

Business Continuity training will be designed to provide an overall awareness and understanding of business continuity principles and preparations. Other training may also be provided including Business Continuity Leadership training and Crisis Management training.

Testing and Exercising:

The Business Continuity Program will be tested via a combination of scenario exercises and by periodic recovery infrastructure testing to confirm resumption of critical business functions.

Testing and exercising will assist to:

1. Build familiarisation with staff roles, responsibilities, processes and available tools.
2. Identify practical program improvements.
3. Provide a high level of stakeholder assurance in Taupō District Council's recovery capability.

Types of testing and exercising that may be conducted include:

| Type of test | Description |
|----------------------------------|--|
| Discussion-based exercise | These exercises are structured events where participants can explore relevant issues and walk through plans in a low-pressure environment. This type of exercise can focus on a specific area for improvement that has been identified with the aim being to find a preferred solution. |
| Scenario exercise | A discussion-based activity using a relevant scenario with a time frame usually conducted in a table-top environment. The exercise may either run in real time or include time-jumps to allow different phases of the scenario to be exercised. |
| Simulation exercise | A simulation exercise provides participants with information in a way that simulates a real incident. Scenario details and questions from interested parties can be introduced into the exercise using various platforms. Exercise participants are asked to deal with the updates or requests for information as if it were a real incident and develop and implement a suitable response to the unfolding situation. |
| Live exercise | Live exercises can range from a small-scale rehearsal of one part of a response, for example, an evacuation, to a full-scale rehearsal of the whole organisation, potentially involving interested parties in real time. |
| Test | A test is defined as "a unique type of exercise, which incorporates an expectation of a pass or fail element within the goal or objectives of the exercise being planned." (Source: ISO 22301). It is usually applied to equipment, recovery procedures or technology, rather than teams or individuals. |

The maximum interval between testing of BCM arrangements should be 12 months unless there are valid reasons why the testing interval needs to be extended or material changes require a variation. The testing process is to include persons nominated in relevant Plans as having authority to implement the document, as well as staff who may be called upon to assist in the implementation of the BCPs.

The testing process may include the following:

- Assessment of critical business functions, resources and infrastructure, which, if adversely impacted by either internal or external events, could reasonably lead to a material business disruption.
- Assessment of the recovery strategies outlined in the BCPs as to their validity, practicality and likely effectiveness in addressing material business disruption risks and in enabling Taupō District Council to return to normal business operations.
- Assessment of the communication strategies outlined in the BCP as to their validity, practicality and likely effectiveness in addressing communication challenges, issues or requirements arising from a material business disruption.
- Validation and re-confirmation of all recovery and support arrangements with third parties that are referred to in the BCPs.

5.0 Review and Evaluation

Taupō District Council will review and evaluate the performance of the Business Continuity Program on a periodic basis. The objectives of the performance monitoring process are to:

- Facilitate prompt action when adverse trends are detected, or a non-conformity occurs.
- Ensure that the Business Continuity Program continues to be an effective system for managing disruption-related risk.

5.1 Performance Monitoring

Performance monitoring will be conducted to evaluate:

- Achievement of objectives and targets.
- Effectiveness of processes, procedures and functions that have been established to support resumption of critical business functions.
- Compliance with best practice standards.
- Rectification of past non-conformities.

All monitoring activities will be recorded and reported to management to facilitate a process of continual improvement.

The following activities will be conducted as part of the performance monitoring process:

| Performance Monitoring | | | |
|------------------------|--|--|----------------|
| Activity | Description | Responsibility | Frequency |
| BC Program Review | <ul style="list-style-type: none"> ▪ Full program review | Risk Manager | Bi – Annually? |
| Management Review | <ul style="list-style-type: none"> ▪ Outstanding actions from previous review ▪ Changes in internal/external environment affected BCM ▪ Recent incident and exercise/testing reports ▪ Results of BC Program audits ▪ Other opportunities for program improvement | [insert Senior Leadership Team – should reflect top level endorsement / engagement with program outputs] | Annually |
| Incident Review | <ul style="list-style-type: none"> ▪ Post incident review of events that resulted in activation of the BCP(s) | [insert anyone who would be required to attend a post incident review i.e. Response Team, impacted business units, executives, risk committee members, etc.] CMT, SLT Chair of A&R Committee | As required |

5.2 Reviews

All elements of the Business Continuity Program, including the identification of recovery priorities and the development of tools, are to be reviewed at least annually or more frequently if there are material changes to business operations or to regulatory requirements, to ensure that the BCPs are fit for purpose and can meet the objectives of this Framework document.

The outcome of these reviews will be reported to the Taupō District Council Senior Leadership Team and The Risk and Assurance Committee by the Risk Manager for approval.

Minor changes to a plan may be affected as circumstances arise to ensure the information remains accurate and current.

6.0 Appendices

6.1 Glossary of Terms

| Term | Definition |
|-----------------------------------|---|
| Activation | The act of declaring that an organisation's business continuity arrangements need to be put into effect in order to continue delivery of key products or services. |
| Alternate Site | A pre-established site held in readiness for the recovery and resumption of business operations in the event of a disaster to maintain the organisation's mission critical activities and objectives. |
| Business Continuity | The capability of the organisation to continue delivery of products or services at acceptable pre-defined levels following disruptive incident. |
| Business Continuity Management | A holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities. |
| Business Continuity Plan (BCP) | Documented procedures that guide organisations to respond, recover, resume, and restore to a pre-defined level of operation following disruption. |
| Business Impact Analysis (BIA) | The process of analysing business functions and the effect that a business disruption might have on them. |
| Business Unit | A business unit within an organisation e.g. department or activity. |
| Call Tree | A structured cascade process that enables a list of persons, roles and/or organisations to be contacted as part of information exchange or plan invocation procedure. |
| Command Centre | A pre-established physical or virtual facility from which the Crisis Management Team manages the crisis and coordinates the recovery of the business including the assessment of the incident and the management of internal and external communications. |
| Crisis | An abnormal and unstable situation with a high level of uncertainty that disrupts the core activities and/or credibility of an organisation and requires urgent action. |
| Crisis Management | The overall coordination of an organisation's response to a crisis, in an effective, timely manner, with the goal of avoiding or minimising damage to the organisation's profitability, reputation, or ability to operate. |
| Crisis Management Plan (CMP) | A response document outlining key information including; who has authority and responsibility for key decision and actions in a crisis, internal and external crisis communications, activation mechanisms, details of levels of response across the organisation and key templates to be used during a crisis. |
| Crisis Management Team (CMT) | A trained group of people with defined roles and responsibilities for implementing the organisation's Business Continuity Plan. |
| Critical | A qualitative description used to emphasise the importance of a resource, process or function that must be available and operational constantly or at least at the earliest possible time after an incident, emergency or disaster has occurred. |
| Critical Business Functions (CBF) | Key business activities and processes that must be restored in the event of a disruption to ensure the ability to protect the organisation's assets, meet organisational needs, and satisfy regulations. These are business activities and information that should not be disrupted such that they impact the ability of the organisation to achieve its Minimum Business Continuity Objective. |
| Critical Supplier | Provider of products / services whose loss would quickly disrupt the organisation's critical activities. |
| Disaster | A physical event which interrupts business processes sufficiently to threaten the viability of the organisation. |

| Term | Definition |
|--|---|
| Disruption | An event that interrupts normal business functions, operations, or processes, whether anticipated (e.g. hurricane, political unrest) or unanticipated (e.g. blackout, terror attack, earthquake). |
| Emergency | A sudden, unexpected incident requiring immediate action due to its potential threat to health and safety, the environment, or property. |
| Emergency Control Officer(s) (ECO) | A person or persons who will initiate an appropriate response to any emergency situation, ensuring the safety and wellbeing of all staff and visitors. The team may include a Chief Warden, Area Wardens, Wardens and First Aid Officers. |
| Incident | An adverse event that might cause disruption, loss or emergency, or lead to a crisis. |
| Incident Management Team | A trained group of people with defined roles and responsibilities, assigned to respond and manage an incident. |
| Maximum Acceptable Outage (MAO) | The time it would take for adverse impacts, which might arise as a result of not providing a product/service or performing an activity, to become unacceptable. |
| Minimum Business Continuity Objective (MBCO) | The minimum level of services and/or products that is acceptable to the organisation to achieve its business objectives during a disruption. |
| Organisational Resilience | Ability of an organisation to anticipate, prepare for, and respond and adapt to incremental change and sudden disruptions in order to survive and prosper. |
| Process | A set of interrelated or interacting activities which transforms inputs into outputs. |
| Recovery Strategy | An approach used by an organisation to ensure its recovery and continuity in the face of a disaster or other major incident or business disruption. |
| Recovery Support Procedure | Detailed procedures to assist with the effective implementation of a Recovery Strategy based on defined disruption scenarios. |
| Recovery Time Objective (RTO) | The period of time following an incident within which a product or service must be resumed, or activity must be resumed, or resources must be recovered. |
| Resources | All assets, people, skills, information, technology (including plant and equipment), premises, and supplies and information (whether electronic or not) that an organisation has to have available to use, when needed, in order to operate and meet its objective. |
| Risk | Combination of the probability of an event and its consequence. |
| Threat | A potential cause of an unwanted incident, which can result in harm to individuals, the environment or the community. |



2020 PROTECTED DISCLOSURES ACT 2000 POLICY

Introduction

The Protected Disclosures Act 2000 [~~PDA~~*'the Act'*], sometimes referred to as *'the Whistleblowers Act'*, came into force on 1 January 2001.

The Act is designed to ~~help protect~~ employees ~~to report who raise concerns about~~ serious wrongdoing within their workplace ~~organisation~~*organization*, ~~without having to worry that detrimental action will be taken against them.~~

Purpose

~~The PDA Act~~ requires Council [as a public sector organisation] to establish internal procedures for receiving and dealing with information about serious wrongdoing within the Council.

These procedures will provide a guide for investigating officers dealing with an investigation instigated by a disclosure under the ~~PDA Act~~.

General Guidelines

The ~~PDA Act~~ provides that appropriate internal procedures be put into operation that:

- Comply with the principles of natural justice; and
- Identify the persons in the organisation to whom a disclosure may be made; and
- Include reference to the effects of Sections 8 to 10 of the ~~PDA Act~~.

Statement of Policy

The purpose of the Act is to promote the public interest:

- By facilitating the disclosure and investigation of matters of serious wrong-doing in or by the Council; and
- By protecting employees who, in accordance with the Act, make disclosures of information about serious wrong-doing in or by Council

This policy sets out the means by which Taupō District Council employees can disclose information in the manner provided by the ~~PDA Act~~ if:

- The information is about serious wrong-doing in or by the Council; and
- The employee believes on reasonable grounds that the information is true or likely to be true; and
- The employee wishes to disclose the information so that the serious wrong-doing can be investigated; and
- The employee wishes the disclosure to be protected.

Definitions

Employee

- all current employees of Taupō District Council
- all former employees of Taupō District Council
- any person seconded to the Taupō District Council

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- any individual engaged or contracted under a contract for services to do work for the Taupō District Council
- a person concerned in the management of the Taupō District Council
- a homemaker (within the meaning of section 5 of the Employment Relations Act 2000)
- any individual who is as volunteer for the Taupō District Council

Serious Wrong-Doing

Includes any serious wrong-doing of any of the following types:

- An unlawful, corrupt or irregular use of public funds or public resources; or
- An act, omission or course of conduct that constitutes a serious risk to public health, public safety or the environment; or
- An act, omission or course of conduct that constitutes a serious risk to the maintenance of law, including the prevention, investigation and detection of offences and the right to a fair trial; or
- An act, omission or course of conduct that constitutes an offence; or
- An act, omission or course of conduct by a public official that is oppressive, improperly discriminatory or grossly negligent, or that constitutes gross mismanagement.

Appropriate Authority

Includes the head of every public sector organisation including but not limiting the:

- Commissioner of Police
- Controller and Auditor-General
- Director of the Serious Fraud Office
- Inspector-General of Intelligence and Security
- Ombudsman
- Parliamentary Commissioner for the Environment
- Independent Police Conduct Authority
- Solicitor-General
- State Services Commissioner
- Health and Disability Commissioner

Where possible, an approach should be made to the authority whose responsibility relate most closely to the subject matter which is of concern.

Confidentiality

Every person to whom a protected disclosure is made or referred must use his or her best endeavors not to disclose information that might identify the person who made the protected disclosure unless:

- That person consents in writing to the disclosure of that information; or
- The person who has acquired knowledge of the protected disclosure believes that disclosure of identifying information:
 - (i) is essential to the effective investigation of the allegation in the protected disclosure; or
 - (ii) is essential to prevent serious risk to public health and safety or the environment; or
 - (iii) is essential having regard to the principles of natural justice.

Disclosure Procedures

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The person disclosing information must use the following internal procedures:

- (a) A disclosure will, in the first instance, be made to the employee's Head of (Group) either verbally or in writing
- (b) The employee may however, report the disclosure directly to the Chief Executive or in his absence to the Acting Chief Executive, or to another appropriate authority nominated by the Chief Executive, should the employee believe that the person to whom they are reporting is not appropriate because they are:
 - Likely to be involved in the serious wrong-doing; or
 - By association or relationship, be connected to the person(s) who may be involved in the serious wrongdoing.
- (c) An employee may disclose information directly to an appropriate authority other than the Chief Executive should:
 - They believe that the Chief Executive is or may be involved in the alleged serious wrong-doing; or
 - That the immediate reference to an appropriate authority is justified due to the urgency of the matter, or other exceptional circumstances; or
 - That there has been no action or recommended action on the matter related to the disclosure within 20 working days from the date on which the disclosure was first made.
- (d) A disclosure may be made to a Minister of the Crown or an Ombudsman where an employee has made a disclosure in accordance with the procedures described above and believes on reasonable grounds that:
 - The person has decided not to investigate the matter; or
 - The person has investigated the matter but has not made progress within a reasonable timeframe since the disclosure was made; or
 - The person has investigated the matter and has either not taken any action nor recommended the taking of any action

And the employee continues to believe that the information disclosed is true or is likely to be true.

Protections

~~The Act includes protection against retaliatory action from the Council under personal grievance procedures provided by the Employment Relations Act 2000 and under the anti-discriminatory provisions of the Human Rights Act 1993.~~

~~The Act includes protection for any person, having made a protected disclosure of information or having referred a protected disclosure of information to an appropriate authority for investigation, from any liability in any civil or criminal proceeding or to a disciplinary proceeding by reason of having made or referred that disclosure of information.~~

When a protected disclosure is made, the following measures apply:

- The disclosure will be kept confidential
- Protected from any liability in any civil and criminal proceedings or to a disciplinary process.
- Retaliatory action or disadvantage from Council, and can take a personal grievance if this occurs.
- Protected by the anti-victimisation provisions of the Human Right Act 1993.

Exception

The protections conferred as above will not apply where the person who makes a disclosure of information make an allegation known to that person to be false or otherwise acts in bad faith.

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Legal Professional Privilege

Nothing in the PDAAct authorises a person to disclose information protected by legal professional privilege.

Investigation of Disclosures

Whilst not forming part of this policy procedures for the investigation of disclosure allegations are included as a guideline in Appendix A attached.

APPENDIX A**PROCEDURAL GUIDELINES FOR INVESTIGATION OF DISCLOSURES**

When a disclosure is made to the Disclosure Manager (members of Senior Leadership Group) the following procedure will be used to investigate the disclosure:

- The Manager concerned will take all relevant details of the disclosure including relevant names and dates and record the disclosure and the date notification was received.
- The person's name that has disclosed the information will be kept confidential unless the provisions of the Confidentiality clause in the Policy are met.
- The Manager will provide information and guidance to the employee on:
 - the kinds of disclosures that are protected by the Act
 - the protections and remedies that are available under the Act and the Human Rights Act 1993
 - how and in what circumstances information disclosed under the Act may be deferred to another appropriate authority under the Act
- The Manager will advise the person making the disclosure that the alleged wrong-doing may be brought to the attention of the Chief Executive
- The Manager will advise the person making the disclosure that he/she will be advised within 20 working days of how the matter has been dealt with.
- Any employee implicated by the disclosure information will be presented with the details of the disclosure and be given the opportunity to reply to those details. If after further investigation of the disclosure disciplinary action is considered appropriate this will be undertaken using the Council's procedures.
- The person making the disclosure will be advised of the outcome in terms of:
 - whether the disclosure was accurate
 - whether action has been taken, and if so;

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it is not possible to give the person reporting the disclosure, details on what action has been taken if it relates to the disciplining of employees to protect their privacy.

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TAUPŌ DISTRICT COUNCIL

STAFF CONFLICTS OF INTEREST

Introduction

Conflicts of interest in our working lives are natural and unavoidable. The existence of a conflict of interest does not necessarily mean that someone has done something wrong, and it need not cause problems. It just needs to be identified and managed carefully.

The main goal of managing conflicts of interest is to ensure that decisions are made – and are seen to be made – on proper grounds and to be guided by the concepts of integrity, honesty, transparency, openness, independence, good faith, service to the public and without bias. They also need to consider the risk of how an outside observer may reasonably perceive the situation.

Conflicts of interest are not easily managed by a simple set of rules, because they can arise in all sorts of situations. Also, some situations are not clear-cut and may involve questions of degree. Therefore Council staff will often need to exercise prudent judgement on a case-by-case basis.

This document sets out what a conflict is, when it can happen etc. Case studies are provided to illustrate some examples of whom/how/what to do etc.

What is a conflict of interest?

A conflict of interest is where someone is compromised when their personal interests or obligations conflict with the responsibilities of their job or position. It means that their independence, objectivity or impartiality can be called into question.

A conflict of interest can be:

- Actual - where the conflict already exists
- Potential - where the conflict is about to happen, or could happen
- Perceived - where other people might reasonably think that a person has been compromised.

A poorly managed 'perceived' conflict of interest can be just as damaging as a poorly managed 'actual' conflict of interest.

A conflict of interest can also be positive or negative. You could be seen to favour or benefit someone, or be against them and disadvantage them.

While conflicts of interest should be avoided wherever possible, they often happen innocently. It's how they're managed that counts. In the context of a procurement activity, a conflict of interest that's not properly managed could seriously undermine its integrity and lead to complaints, challenges and, in some cases, Council's decision being overturned.

It is important that everyone in Council not only behaves ethically, but is seen to behave ethically.

When can a conflict of interest happen?

A conflict of interest can arise in a number of ways: through a relationship, an activity or strong personal views. For example, a person could be compromised if, in carrying out their work duties, they're required to deal with:

- a relative or close personal friend
- an organisation, club, society or association of which they're a member
- a person who's their community or church leader.
- a person or organisation:

- to which they have a professional or legal obligation
- with which they have a business interest or own property
- to whom they owe money
- for whom they've previously worked, or currently work (secondary employment).

An employee could also be compromised if they are given something from a person who stands to benefit from their decision. For example:

- a gift
- an invitation to lunch, dinner or a sporting event
- free or subsidised travel or accommodation
- any other sort of benefit, including money.

In addition, a conflict can arise if a person holds strong personal views on an issue Council is considering.

Public duty to serve the public interest

The 'public interest' is the collective interest of the entire community. All staff have a public duty to put the public interest above their personal or private interests when carrying out their official duties.

This principle applies to anyone procuring goods or services, whether they are full-time, part-time or temporary employees, casual or contract staff, secondees, consultants and volunteers.

When interests conflict

Conflicts of interest are not wrong in themselves, but they should be properly identified and effectively and transparently managed. When a conflict of interest has been ignored, improperly acted on or influenced actions or decision-making, the conduct (not the conflict itself) can be seen as misconduct, abuse of office or even corruption.

Managing conflicts of interest – a declaration

It's essential that all Council staff involved in a procurement activity complete and sign a Conflict of Interest Declaration. This includes.

- all members of the procurement team (staff, contractors and consultants)
- all members of the evaluation panel
- any consultant asked to advise the team
- anyone involved in making a recommendation
- anyone involved in approving a recommendation or making an important decision
- anyone making a financial approval for the procurement.

The Declaration requires the person to identify any actual, perceived or potential conflicts of interest. If they have none, they can take part in the project.

The Declaration also needs to be revisited regularly and checked once the supplier has been chosen. Everyone who has signed one needs to check whether they have a conflict of interest in relation to the supplier or any of the named personnel in the supplier's tender.

Managing an identified conflict of interest

Conflicts that are identified must be reported to your manager/supervisor. They – and the process for managing them – must then be recorded in writing and filed in Objective [Corporate Management – overview – operational policies processes and procedures – staff conflict of interest] and recorded in the Staff Conflicts of Interest Register [A1259023].

The options for managing a conflict of interest include:

- **restricting:** imposing restrictions on the person's further involvement in the matter
- **recruiting:** engaging an independent third party to oversee all or part of the process and verify its integrity
- **removing:** where the person chooses, or is asked, to be removed completely from the matter
- **relinquishing:** where the person relinquishes the private interest that created the conflict

In the following circumstances, staff are prohibited from:

- being involved in a decision to appoint or employ a relative;
- conducting business on behalf of Council with a relative's company;
- owning shares in (or working for) particular types of organisation that have dealings with (or that are in competition with) Council;
- Influencing or participating in a decision to award grants or contracts where a member is connected to a person or organisation that submitted an application or tender.

Role of Managers and Supervisors

To assist in dealing with conflicts of interest you should:

- understand your role;
- know what a conflict of interest is;
- know Council's policy and procedures regarding conflicts of interest;
- form part of staff induction
- advise staff on how to deal with conflicts of interest;
- create the sort of relationships and environment where open dialogue can take place;
- are vigilant, through constant supervision, and are ready to take action;
- promote a strong ethical culture by talking about conflicts of interest with staff;
- model how to deal with dilemmas and conflicts of interest;
- remove opportunities for wrongdoing; and
- show leadership, together with other managers/supervisors, through decision-making on policies, processes and training.

Handling complaints or breaches of the policy

Any sanctions must act as a deterrent but be proportionate to how serious the breach is.

Reporting conflicts of interest may involve disclosing personal information.

Council will treat all information confidentially according to legislation.

If disclosing a conflict of interest to a supervisor raises privacy concerns, that person may disclose their interests to the Group Manager Corporate and Community, Democracy & Community Engagement Manager, Corporate Solicitor or People and Capability Manager.

Consequences of non-compliance

Individuals are responsible for avoiding and managing any conflict of interest that involves them personally. Any breach of this obligation may result in disciplinary action, which may include dismissal.

Case Studies:

Fictitious case studies have been provided to illustrate how conflicts of interest can arise, and be managed, in practice. They are intended to show the range of scenarios that can occur, and the issues that may need to be considered in assessing their seriousness and deciding how to manage them. They should not be treated as prescriptive for any given situation. They are examples, not rules.

In reality, sometimes a small difference in context or detail can make a critical difference. People will have to exercise their own judgment.

These Guidelines will be reviewed within three years – July 2023.

| | |
|---------------|---|
| Author | Head of Democracy, Governance & Venues |
| Approval | Taupō District Council Chief Executive Officer, or the collective Senior Leadership team, has the authority to approve or amend this policy |
| Approval Date | This version was approved by SLG on 25 May 2020. |

The case¹ studies are:

Case study 1: Funding for a club;

Case study 2: Family connection to a tenderer for a contract;

Case study 3: Decision affecting land;

Case study 4: Gifts and hospitality;

Case study 5: Mixing public and private roles;

Case study 6: Personal dealings with a tenderer for a contract;

Case study 7: Duties to two different entities; and

Case study 8: Professional connection to a tenderer.

Case study 1: Funding for a club

Sam is a grants officer for a Crown entity that offers funding to community organisations for a range of environmental projects. In her role, she carries out an initial assessment of applications and writes reports for the committee that will consider and decide on each funding round. She also monitors the use of the funding.

Sam is also a member of a small local residents' association. The association has applied for funding to clean up a local stream and carry out a native shrub replanting programme in her community.

Normally, this application would be one that Sam would deal with in her work.

A conflict of interest exists here. Someone could reasonably allege that Sam's likely desire for her association to be successful in its bid might mean that she will not be completely impartial in the way she analyses this application (and the other applications that are competing for the same pool of money). The decision to be made is specifically about the residents' association, and probably affects its funding in a significant way.

Sam should tell her manager about her personal connection to this application.

Sam's manager should consider the nature of Sam's role in processing these sorts of applications, whether her position has a significant influence on decision-making, and whether it is practicable for someone else in the organisation to work on the particular application.

It may be prudent for Sam's manager to ensure that all of the applications for this particular set of funding (including the applications from others) are processed by someone else. If the manager takes this view, it may also be preferable that the other person should not be someone for whom Sam has line management responsibility. If the application from Sam's association is successful, Sam might also need to be excluded from administering that grant.

Alternatively, it might be the case that no steps are warranted because Sam's role is a low-level administrative one and all the substantive analysis is done by others. Another possibility is that the above steps are impracticable, because Sam is the only person in the organisation who can do the

¹ Case studies taken from Office of Auditor General - Managing conflicts of interest: Guidance for public entities

work. In that case, some other option (such as carrying out an additional peer review of her work on the matter) might have to be used.

In this case, a conflict of interest exists even though Sam is not one of the leaders of the residents' association, did not prepare the application, does not personally have a financial interest in the matter, and believes she could still consider all applications fairly and professionally. The association is small, and so Sam is likely to know its leaders well and work closely with them. However, the situation might be different if the association was a large nationwide organisation like Rotary, and the application was from a different branch of that organisation.

Case study 2: Family connection to a tenderer for a contract

Hoani is a project manager for a district health board (DHB). The DHB contracts out some functions to private providers. As part of his role, Hoani is running a tender process for contracts for a provider to deliver certain health services.

Hoani's brother-in-law, who he knows well, is the managing director and a significant shareholder of one of the private companies that is tendering for the latest contract.

A conflict of interest exists here. It is not a financial conflict of interest, because

Hoani is not involved in the tendering company and is not dependent on his brother-in-law. But the family connection to the company is a reasonably close one, and the decision to be made by the DHB directly relates to the company. Hoani is likely to have feelings of loyalty to his brother-in-law (or at least this would be a likely perception).

Hoani should tell his manager about his personal connection to the tendering company, and the manager should assign the management of this particular tender process to someone else. It may also be prudent to take steps to ensure that Hoani does not have access to information about the other tenders, or other confidential information about this particular tender process.

It is relevant to the assessment of this situation that Hoani's relative is in an important role at the tendering company. The answer might be different if the relative was in a much more junior position and was not personally involved in the company's tender, especially if the company was a large one. The answer might also be different if the relative was a distant relative whom Hoani had met only a few times in his life. Assessing the closeness of a personal connection to someone (or the appearance of such closeness) requires careful judgement.

Case study 3: Decision affecting land

Tom is a civil engineer and works for a State-owned enterprise (SOE) that is responsible for a national infrastructure network of gas pipes. The SOE is planning to build a major new mains pipeline to increase supply capacity from a refinery to a large city.

The pipeline has to cross a distance of 300 kilometres, and the SOE has come up with several different options for its route, which it will now consider in more detail. The SOE has to acquire land – compulsorily if necessary – along its chosen route. The project is opposed by many people who live along the possible routes, who fear the pipeline will adversely affect the natural environment and devalue their remaining land. Tom has worked on a number of areas of the project, and has now been appointed to the Route Options Working Group that will assess the route options and make a recommendation to the board.

Tom is also part-owner of a farm that lies directly in the path of one of the route options.

Tom has a conflict of interest here. He has a personal stake in the decision about which route to choose, because his land could be affected. Although the working group is not the final decision-maker in this matter, it does have a key role in analysing the route options and making a recommendation.

Tom should advise his manager that he has an interest in a property affected by one of the options. Tom's role will need to be considered carefully. It may be that Tom does not mind whether the pipeline ends up crossing his land – he may not share any of the concerns of the project's opponents. He may believe that he could contribute conscientiously to the working group to help it arrive at the

best technical answer. But his manager should bear in mind the risk that, if Tom's personal connection becomes publicly known, others might easily think that it could affect his views or actions.

His manager might have to remove him from the working group and assign him to other tasks. (There may be other aspects of the project that Tom remains well-suited to work on, which have no connection to the question of which route to choose.) It may also be prudent to ensure that Tom does not have access to confidential information about the decision before it is made public, in case he is considering selling his land.

Alternatively, Tom's expertise may be indispensable to the project, or he may have a very small part in the overall process. Some other options might therefore need to be considered (such as only partly limiting his role, or imposing extra supervision).

Case study 4: Gifts and hospitality

Rawiri works in the corporate services division of a government department. As part of his role, he manages the department's contractual relationship with its preferred rental car provider. The arrangement with this preferred supplier has been in place for several years, and so the department has decided to re-tender the contract. Rawiri has told the existing provider that he will soon be inviting expressions of interest for a new contract from the existing provider and its main competitors.

Rawiri has regular relationship management meetings with the existing provider.

At a recent meeting, the provider offered to fly him to another city to inspect a new fleet of cars that will shortly be available, and said that the provider would also be able to arrange for Rawiri to have complimentary corporate box tickets to a rugby test match that happened to be on that night, and to stay on for the weekend in a downtown hotel.

This situation creates risks at any time, but especially given the imminent tender process. Rawiri might not be seen as impartial if he is involved in choosing the new preferred supplier. A competitor of the existing provider could allege that Rawiri is being given an inducement or reward in the implicit expectation that he will look more favourably on the existing provider in the coming tender round (or that he will receive further gifts if the existing provider is successful).

Rawiri should discuss the offer with his manager, and carefully consider the department's policy on gifts and hospitality. Given the circumstances, it would not be appropriate to accept the offer of the sports tickets and hotel accommodation. With the offer to be flown to another city to inspect the new fleet of cars, careful consideration should be given to whether business reasons can justify the visit. (If it goes ahead, the public entity might decide to offer to pay the cost of it.) If other forms of gift or hospitality have already been accepted, the appropriateness of Rawiri having a role in the coming tender process might need to be reconsidered, too.

This does not mean that gifts must always be refused. It is reasonable to consider the value or nature of the gift and extent of personal benefit (for example, it may be acceptable to accept a gift that is inexpensive and widely distributed). The context and reason or occasion for the gift is relevant, too. For an entity that operates in a more commercial environment, some types of gift or hospitality may be seen as a necessary element in maintaining relationships with stakeholders and clients. However, in Rawiri's case, the risk is higher because of the proximity to the coming tender round where a strict and fair process will need to be followed (and because the justification for at least some elements of the offer appears dubious).

Case study 5: Mixing public and private roles

Antonia is a senior scientist working for a Crown research institute (CRI). The CRI has developed a new product that has significant revenue-earning potential, and Antonia has worked on the product as part of her role in the CRI. However, the CRI needs help in manufacturing and marketing the product on a large scale, so plans to enter into a joint venture with a private company. The CRI is considering appointing Antonia as one of its representatives on the governing body of the joint venture.

Coincidentally, Antonia is also a shareholder in the private company that will be the CRI's joint venture partner (although she had no role in the CRI's selection of it).

The situation creates a conflict of interest for Antonia. She stands to benefit from the financial success of the private company. The fact that there may be no direct disadvantage to the CRI (because the

joint venture partners are working together, hopefully for their mutual benefit) does not remove the conflict of interest. Her interests in both the CRI and the private company could create confusion about her role and primary loyalty. She could be accused of using her official position in a way that advances her own private interests.

Antonia should advise her manager. It will probably be necessary for Antonia not to be given any major role in governing or managing the joint venture, while she has an interest in the private company.

Antonia's manager might also need to think carefully about what other work, if any, it is appropriate for Antonia to do on the project in her capacity as a CRI employee. This decision may not be clear-cut. Antonia might be the best person in the CRI to carry out certain tasks, but the risk is that she could be regarded as spending a large part of her time as an employee of a public entity, and using the CRI's resources, to carry out work that has a significant element of private benefit for her. Her manager might judge that some involvement in the project is acceptable (or even necessary), but it may also be desirable to confine this. For example, Antonia's role could be changed so that she does not have the ability to influence decisions about how the joint venture and project are run. Alternatively, Antonia might be asked to give up one of her roles – that of employee or that of shareholder.

If circumstances changed to a point where the CRI and the private company became direct competitors with each other, then Antonia's situation might become even more difficult (especially if she remains in a senior position at the CRI, or is still involved in this particular area of work). In that case, it may become necessary for Antonia's manager to insist on divestment of one or other role – either that she relinquish her private interest or leave her job.³

Case study 6: Personal dealings with a tenderer for a contract

Sandra is a consultant who specialises in project management. Her services have been engaged by a government department to help it carry out a new building project. As part of this role, Sandra has been asked to analyse the tenders for the construction contract and provide advice to the department's tender evaluation panel.

Sandra has a lot of personal knowledge about one of the tenderers for the construction contract. She used that firm to build her own house last year, and she is currently using it to carry out structural alterations on several investment properties that she owns. Because of this, she knows the directors of the company very well, and has a high regard for their work.

This situation may create a conflict of interest for Sandra. She is expected to impartially and professionally assess each of the tenders, yet she could be regarded as being too close to one of the tenderers.

In Sandra's case, it is probably unwise for her to play a role in the selection of the tenderer, and she should be replaced for that role. (This may or may not require ending the consultancy arrangement altogether, depending on what else Sandra has been engaged to do.) Her dealings with the firm are recent and significant. The risk is that, if this firm wins the contract, Sandra's personal connections with it might allow someone to allege that the department's decision is tainted by favouritism.

These sorts of situations are not always clear-cut. Particularly in small or specialised industries, people often have had some degree of personal knowledge of, or previous dealings with, other people or organisations that they have to make decisions about. That is not necessarily wrong. Indeed, they will often be chosen for this role precisely because of their experience or expert knowledge, and that might include general impressions about the reputation or competence of others. So, sometimes, these sorts of connections might be judged to be too remote or insignificant. For instance, in this case, the response would probably be different if the firm's private work for Sandra had been a single, smaller job carried out several years ago.

To take another similar example, careful judgement would also be necessary if the connection was instead that the tendering firm was run by a friend or acquaintance of Sandra. For example, it might be improper for Sandra to be involved in assessing the tenders if the firm was run by a very good friend she had known for many years and who had attended her wedding. By contrast, there might not be any problem if Sandra simply knew the person in a casual way through membership of the same sports club. Further careful judgements might be necessary if Sandra had worked for the firm. For instance, the situation might be problematic if she had been a full-time employee within the last year,

or was also currently providing significant consultancy advice to the firm on another matter. On the other hand, it might not be problematic if she had worked for the firm several years ago, or if she had provided only occasional pieces of consultancy advice in the past.

This case also shows that public entities need to think about whether and how to manage conflicts of interest that arise for someone who is not a member or employee, but is instead a consultant or contractor. Sandra's role is important to the department and affects a key decision it has to make, and so can expose the department to legal and political risk. She should be required to agree to abide by the relevant conflict of interest policy that exists for staff. The departmental manager who oversees her work should ensure that she understands the policy, and should monitor her in the same way as an employee.

Case study 7: Duties to two different entities

Jean-Paul is a member of the council of a tertiary education institution (TEI). The TEI has some contracting arrangements with private organisations to help to deliver some educational courses. One of those arrangements is with a charitable trust, under which the trust is funded by the TEI to prepare, administer, and teach the course on behalf of the TEI. However, the TEI is now about to decide whether to discontinue this arrangement.

Jean-Paul also happens to be one of the trustees of the charitable trust.

Jean-Paul has a conflict of interest in this decision. He may not be affected personally by the decision, but the trust will be, and he is closely associated with the trust. (The conflict of interest may be particularly acute if the course is a significant source of the trust's funding and ongoing viability.) In addition, as a member of the governing body of the TEI, Jean-Paul has a duty to act in the best interests of the TEI, but, as a trustee, he also has a duty to act in the best interests of the trust. In this case, the best outcome for one entity may not be the best outcome for the other, and so it may be impossible for Jean-Paul to faithfully give effect to his obligations to both entities.

Jean-Paul should declare a conflict of interest at relevant meetings of the TEI's council, and refrain from discussing or voting on the TEI's decision. It might be wise for him not to be provided with confidential information about the matter. Jean-Paul may also need to consider whether he has a conflict of interest in the matter at meetings of the trust.

Case study 8: Professional connection to a tenderer

Viliami works for a large multi-disciplinary professional services firm. Viliami, through his firm, has been engaged by an SOE to help it choose a contractor to manage a major land development project. Viliami is the person who will provide expert advice to the panel that considers tenders.

Another division of Viliami's firm wishes to submit a tender for the project.

A conflict of interest exists here. Viliami will be providing advice about a matter that affects his own firm. Viliami does not personally have two conflicting roles, but his firm does, and that creates a problem for him. In some situations involving organisational connections, different individuals in the organisation can be managed by insisting on a "Chinese wall" separation of roles and information. Because this device is not always entirely satisfactory, it is best reserved for situations when the connection is almost inevitable or the risk is very low. In this case, however, the connection is fairly direct, even though it is not intended that Viliami be one of the individuals managing the project. Another tenderer might object that he is unlikely to be impartial. The risk of challenge could be high, especially if the project is worth a lot of money.

Viliami should discuss the matter with the relevant manager in the SOE. If his firm's tender is to be considered, it is likely that Viliami will not be able to continue with his role. Alternatively, when it first engaged Viliami's services, the SOE could have insisted on a condition that his firm would not be permitted to tender for the project.

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 | June 2020 | July 2023 |
| Conflict of Interest Guidelines – Staff | June 2020 | July 2023 |
| Procurement Policy | July 2018 | July 2021 |
| Sensitive Expenditure Policy | October 2017 | September 2020 |
| Business Continuity Plan | June 2020 | TBC |

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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 Roving 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.