

ATTACHMENTS

Risk & Assurance Committee Meeting

15 September 2020

Table of Contents

3.1	Risk & Assurance Committee Meeting - 9 June 2020	
	Attachment 1 Risk & Assurance Committee Meeting Minutes - 9 June 2020	3
4.1	Audit New Zealand Report on the Interim Audit of Taupo District Council for the year ended 30 June 2020	
	Attachment 1 Audit New Zealand Interim Audit report on Taupo District Council 2019-20.....	8
4.2	Receipt of Covid-19 Taupo District Council Emergency Management Response Internal Debrief Report	
	Attachment 1 Internal debrief report to Taupo District Council and South Waikato District Council, provided by independent facilitator Mr Phil Parker, dated 7 August 2020	29
4.4	Ministry for Primary Industries Recognised Assessment Report under the Food Act 2014	
	Attachment 1 Ministry for Primary Industries Recognised Assessment Report (Surveillance Assessment) dated 20 August 2020	33
4.5	Standard & Poor's Global Ratings Direct report	
	Attachment 1 Standard & Poor's Global Ratings Direct report dated 22 June 2020	43
4.6	Business Continuity Update	
	Attachment 1 Business Impact Analysis Steps.....	50
	Attachment 2 CBCI Certificate	51
	Attachment 3 Business Impact Analysis Templates	52
4.7	Review of Sensitive Expenditure	
	Attachment 1 Sensitive Expenditure Report - 1 January to 30 June 2020	55
4.8	Risk & Assurance Committee Schedule of Policies for Review	
	Attachment 1 Risk and Assurance Committee Schedule of Policies - September 2020.....	58
	Attachment 2 Risk and Assurance Committee Terms of Reference 2019-22.....	59

Risk & Assurance Committee Meeting Minutes

9 June 2020

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE RISK & ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 107 HEUHEU STREET, TAUPŌ
ON TUESDAY, 9 JUNE 2020 AT 10.00AM**

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

IN ATTENDANCE: Cr John Boddy
Chief Executive, Head of Regulatory & Risk, Head of Finance & Strategy, Head of Operations, Head of Communications & Customer Relations, Head of Democracy, Governance & Venues, Business Improvement Manager, Manager Compliance & Legal, Risk Manager, Senior Project Manager, Democratic Services Officer

MEDIA AND PUBLIC: Mr Leon Pieterse, Audit New Zealand
Ms Kataraina Macown, Audit New Zealand

1 APOLOGIES

RACC202006/01 RESOLUTION

Moved: Cr Christine Rankin
Seconded: Cr Kathy Guy

That the apology received from His Worship the Mayor, David Trewavas be accepted.

CARRIED

2 CONFLICTS OF INTEREST

Nil

3 CONFIRMATION OF MINUTES

3.1 RISK & ASSURANCE COMMITTEE MEETING - 10 MARCH 2020

The following points were noted:

- The Insurance Strategy review would be added to the schedule of policies for review.
- The Civil Defence Emergency Management Capability and Assessment report would be an item on the agenda for the next Emergency Management Committee meeting scheduled to take place in August 2020.
- The Head of Regulatory & Risk would check to ensure the Grants and Partnerships Policy review findings had been shared with distributors.

RACC202006/02 RESOLUTION

Moved: Mr Danny Loughlin
Seconded: Cr Anna Park

That the minutes of the Risk & Assurance Committee meeting held on Tuesday 10 March 2020 be confirmed as a true and correct record.

CARRIED

Page 1

Risk & Assurance Committee Meeting Minutes

9 June 2020

4 REPORTS**4.1 RECEIPT OF AUDIT NEW ZEALAND CORRESPONDENCE - RESPONDING TO COVID-19 AND AUDIT PROPOSAL LETTER**

Mr Leon Pieterse and Ms Kataraina Macown from Audit New Zealand were in attendance. Mr Pieterse addressed the Committee and answered questions. The following points were noted:

- The impacts of Covid-19 would affect Taupō District Council, including Council's audit process. Audit New Zealand would share its impact assessment with the Council team for Council's consideration.
- Audit's focus on certain areas due to Covid-19 would take extra time and it may be necessary to increase fees. Audit staff were interested in completing parts of the audit remotely where possible.

RACC202006/03 RESOLUTION

Moved: Cr John Mack

Seconded: Cr Anna Park

That the Risk & Assurance Committee:

1. Receives the letter to local authorities from Controller and Auditor-General, Mr John Ryan (dated 23 April 2020).
2. Receives the Audit Proposal Letter for the 2020, 2021 and 2022 financial years (dated 4 May 2020).
3. Thanks Mr Leon Pieterse and Ms Kataraina Macown, Audit New Zealand, for their presentation.

CARRIED**4.2 PROJECT QUANTUM STATUS REPORT**

The Senior Project Manager summarised the report and added that the steering group was considering the potential impacts of project timeline delays before engaging with the Senior Leadership Team.

In answer to questions, the Senior Project Manager advised that:

- HR Payroll functions worked well during the Covid-19 lockdown period.
- Other modules were currently due to go live in March 2021. Whether or not the streams could be split, and if they could, whether this would be the best business decision, was still under consideration.
- Work on the project had continued in spite of Covid-19. Delays would extend the timeframe which would in turn increase costs, including staff time.

In conclusion, the Chief Executive confirmed that all issues were able to be managed.

RACC202006/04 RESOLUTION

Moved: Cr Christine Rankin

Seconded: Cr Kathy Guy

That the Risk & Assurance Committee receives the report.

CARRIED**4.3 6 MONTHLY REVIEW OF SENSITIVE EXPENDITURE**

The Risk Manager presented the report on sensitive expenditure for the period 1 July 2019 to 31 December 2019. He answered questions of clarification and noted that the Sensitive Expenditure Policy was due for review later in 2020.

Page 2

Risk & Assurance Committee Meeting Minutes

9 June 2020

RACC202006/05 RESOLUTION

Moved: Mr Danny Loughlin
Seconded: Cr John Williamson

That the Risk & Assurance Committee receives the information in the Sensitive Expenditure Report for the period 01 July 2019 to 31 December 2019.

CARRIED**4.4 ADOPTION OF BUSINESS CONTINUITY POLICY AND FRAMEWORK**

The Risk Manager summarised the report.

In answer to a question, the Head of Risk & Regulatory advised that Council did have clearly defined roles and associated job descriptions in terms of civil defence emergency management, however there was always room for improvement.

The Risk Manager continued answering questions, with additional points noted as follows:

- Council's response to the Covid-19 pandemic would be reviewed and learnings taken from it.
- The new approach to business continuity would be more holistic across the organisation. In the past, the business continuity focus had been on the critical functions of water, wastewater and ICT, in addition to specific plans, for example the pandemic plan.
- Following adoption of the policy and framework, the knowledge would be embedded throughout the organisation, with the Senior Leadership Team and managers reinforcing expectations. An initial assessment of critical services would be undertaken, along with business impact analyses based on identified likely events.
- Work was underway on the drafting of a template for managers to complete. The information would then be used to draft business continuity plans (BCPs) which would be provided to the Risk & Assurance Committee for consideration.
- The business continuity planning work would be completed within current budgets.
- BCPs would be reviewed via bi-annual or annual desk top exercises, to ensure currency.

RACC202006/06 RESOLUTION

Moved: Mr Danny Loughlin
Seconded: Cr Kathy Guy

That the Risk & Assurance Committee adopts the proposed Business Continuity Policy and Framework.

CARRIED**4.5 REVIEW OF 2017 PROTECTED DISCLOSURES POLICY**

In answer to a question, the Head of Democracy, Governance and Venues advised that she was not aware of protected disclosures policies being invoked at any council in New Zealand.

A typographical error was noted on page 2 of the draft policy; fourth bullet point down – change “who is as volunteer...” to “who has volunteered”.

In answer to another question, the Head of Democracy, Governance and Venues advised that the Protected Disclosures Policy was covered as part of Council's new staff induction process and the policy was available on the intranet.

Page 3

Risk & Assurance Committee Meeting Minutes

9 June 2020

RACC202006/07 RESOLUTION

Moved: Mr Danny Loughlin
Seconded: Cr John Williamson

That the Risk & Assurance Committee adopts [with amendments] the 2020 Protected Disclosures Act 2000 Policy [A2668269].

CARRIED**4.6 REVIEW OF THE STAFF CONFLICT OF INTEREST GUIDELINES**

In answer to a question, the Head of Democracy, Governance and Venues advised that it was usually a staff member's manager who would decide a conflict of interest exists but is not an issue.

RACC202006/08 RESOLUTION

Moved: Cr Kathy Guy
Seconded: Cr John Mack

That the Risk & Assurance Committee receives the 2020 Staff Conflict of Interest Guidelines [A2668257].

CARRIED**4.7 RISK & ASSURANCE COMMITTEE SCHEDULE OF POLICIES FOR REVIEW**

Members amended the schedule of policies for review by including the Insurance Strategy review with a date to be advised; and updating the date of the next review for the Business Continuity Plan as 2022.

RACC202006/09 RESOLUTION

Moved: Cr Anna Park
Seconded: Cr Kathy Guy

That the Risk & Assurance Committee amends the Schedule of Policies for review to include the Insurance Strategy review; and the date of the next review for the Business Continuity Plan as 2022.

CARRIED**5 CONFIDENTIAL BUSINESS****RACC202006/10 RESOLUTION**

Moved: Mr Anthony Byett
Seconded: Mr Danny Loughlin

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:

Page 4

Risk & Assurance Committee Meeting Minutes

9 June 2020

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 5.1 Confirmation of Confidential Portion of Risk & Assurance Committee Minutes - 10 March 2020	Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7
Agenda Item No: 5.2 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 and Ms Kataraina Macown from Audit New Zealand be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of audit processes and requirements and their role as auditors.

CARRIED

The meeting closed at 11.15am.

The minutes of this meeting were confirmed at the Risk & Assurance Committee meeting held on 15 September 2020.

.....
CHAIRPERSON

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the interim audit of

Taupō District Council

For the year ended 30 June 2020

Contents

Key messages	3
1 Recommendations	4
2 Assessment of internal control	6
3 Other findings from the audit	9
4 The impact of Covid-19 on financial reporting and performance information	10
5 Adoption of new accounting standards	12
Appendix 1: Status of previous recommendations	13
Appendix 2: Disclosures	20

Key messages

This report sets out our findings from our interim audit of Taupō District Council (the District Council) for the year ended 30 June 2020.

The primary purpose of our interim audit was to update our understanding of the District Council's control environment and to gain a better understanding of the issues facing the District Council and how these are being addressed.

We performed a high level review of the District Council's control environment. Overall we are satisfied the control environment is effective for undertaking an efficient and effective audit. Our review also identified areas where we believe the control environment and internal controls can be enhanced. These matters are detailed in section 2 of this report.

The District Council has completed Phase One of the Quantum programme of work over the implementation of the Technology One HRP modules. We have reviewed the processes for data migration to Technology One and are pleased to report no issues of concern were identified.

The uncertainty arising from Covid-19 may create risks that the District Council has not previously experienced. We encourage the District Council to consider the effects of Covid-19 on its financial statements and performance information as early as possible, and discuss these with us to ensure 'no surprises' to either party.

We also followed up on the status of issues raised in previous audits. These are detailed further in Appendix 1.

Thank you

We would like to thank the Council, management, and staff for their assistance during the audit particularly given the challenges in completing the audit remotely.



Leon Pieterse
Appointed Auditor
7 July 2020

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view, it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Staff to be reminded that the employee's manager must approve timesheets before being processed. If verbal approval has been obtained from the employee's manager, this is recorded and retained in the system.	2.2.1	Necessary
Payroll masterfile maintenance reports are independently reviewed by individuals who are unable to make changes in the payroll system.	2.2.2	Necessary
Processes are improved to ensure the response and resolution times are accurately recorded in the system.	2.2.3	Necessary

Recommendation	Reference	Priority
<p>The District Council review the exemption of their council controlled organisations that were exempted under section 7 of the Local Government Act 2002.</p> <p>The District Council should also implement appropriate processes to ensure this exemption is reviewed within every three years to ensure compliance with the Act.</p>	3.2	Urgent

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	7	3	11
Implemented or closed	-	1	2	3
Matters that will be followed up during our final audit visit	-	11	6	17
Total	1	19	11	31

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures, and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

Overall, we concluded that the control environment is effective.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented, and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. We also identified areas where we believe improvements can be made to internal control and these are detailed below.

2.2.1 Timesheet approval

During our testing of payroll controls, we identified instances where the employee's manager had not approved timesheets. We understand all timesheets are required to be approved by the employee's manager before the timesheet will be processed.

We understand that the employee's manager verbally approved the timesheet however, there is no record to indicate this approval.

Recommendation

Staff are reminded that the employee's manager approves timesheets before it will be processed. If verbal approval has been obtained from the employee's manager, this approval is recorded and retained in the system.

Management comment

All timesheets are now approved by managers and when the manager is unavailable the one-up manager has the responsibility to approve in the system.

2.2.2 Review of payroll masterfile changes

We reviewed the payroll masterfile maintenance reports to ensure these reports were being independently reviewed. Our review identified a number of instances where an independent review had not been performed. There is the potential for fraud to occur changes are being made to the payroll system that are not being checked.

Recommendation

Payroll masterfile maintenance reports are independently reviewed by individuals who are unable to make changes in the payroll system.

Management comment

All maintenance, including masterfile changes, are entered by the Payroll Administrator. Maintenance changes are reviewed/checked by an independent People and Capability Business Partner.

2.2.3 Fault response and resolution times

We reviewed the District Council's processes and procedures for the recording of fault response and resolution times managed by Downer. We noted that the after-hours calls completed by Downer were being recorded as zero minutes.

Tauranga City Council is responsible for managing after hour calls who will contact Downer to resolve the issue. Both these entities do not have access to AssetFinda to record the response and resolution times and District Council staff are updating this the following day.

Due to the time delays of inputting data into the system, the time is being recorded as zero minutes that is reporting inaccurate results.

Recommendation

Processes are improved to ensure the response and resolution times are accurately recorded in the system.

Management comment

Agreed.

2.3 Information technology general controls review

We have updated our understanding of the information technology (IT) control environment. We reviewed aspects of the District Council's general control environment and this has been design effective. The areas we reviewed were:

- IT governance;
- management of security service;
- change management;
- management of service requests and incidents;
- management of continuity;
- management of availability and capacity; and
- management of programmes and project.

We also followed up on prior year issues and the status of these issues is included in Appendix 1.

Overall, we consider the District Council has appropriate processes in place to manage the key risks in these areas.

3 Other findings from the audit

3.1 New Financial Management Information System (FMIS)

The District Council is in the process of updating its FMIS. The Quantum Programme has been set up to implement the Technology One Financial, Payroll, Rating, and Regulatory Information Systems.

In November 2019, the District Council transitioned the payroll system to Technology One. We have completed our review of Phase One of the Quantum programme of work over the implementation of the Technology One HRP modules.

The scope of the review included the following:

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

Our review identified no issues of concern. We were also pleased to see that the District Council have completed a post go live external review over this phase of the programme and identified learnings that can be carried forward into the next phases of Quantum.

3.2 Compliance with section 7 of the Local Government Act 2002 (the Act)

In February 2017, the District Council exempted two of their council controlled organisations; Destination Lake Taupō Limited and Data Capture Systems Limited as allowed under section 7 of the Local Government Act 2002 (the Act).

Section 7.6 of the Act also requires the District Council to review the exemption within three years of the exemption being granted. We understand that the District Council has not reviewed the exemption for these entities since February 2017.

Recommendation

The District Council review the exemption of these entities immediately and implement appropriate processes to ensure this exemption is reviewed within every three years to ensure compliance with the Act.

Management comment

A resolution for approval for these exemptions is on the Agenda for the 28 July 2020 Council meeting.

4 The impact of Covid-19 on financial reporting and performance information

Covid-19 is having a varying impact throughout the public sector affecting, amongst other things, asset valuations, project timelines and costs and revenue streams.

The inclusion of good disclosure in the Annual Report about the implications of Covid-19 on the District Council will be important to stakeholders. In our view, the readers of the Annual Report could reasonably expect the Covid-19 related disclosures to include:

- General disclosure about Covid-19 and any resultant impact on the District Council during the alert levels.
- Disclosure about how the District Council's financial and non-financial performance has changed due to Covid-19.
- Disclosure about the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts to assets and liabilities within the next financial year (as required by Public Sector PBE standards).
- Disclosure about any non-adjusting subsequent event for matters that occurred after 30 June.

Audit New Zealand is developing a series of Bulletins ¹ in response to Covid-19 focused on providing guidance to public entities. These Bulletins will provide useful information, in particular when considering the implications of Covid-19 on:

- revaluations of property, plant and equipment, and investment property;
- service performance reporting; and
- guidance to preparers of financial statements.

Asset class revaluation cycles:

Asset class	Last revalued	Next scheduled revaluation
Land and buildings (operational and restricted)	June 2019	June 2022 (every three years)
Roading infrastructural assets (except land under roads which is not revalued)	June 2017	June 2020 (every three years)
Land under roads	June 2019	June 2022 (every three years)
Wastewater, water supply and storm water infrastructural assets	June 2018	June 2021 (every three years)

¹ <https://auditnz.parliament.nz/good-practice/public-sector-reporting>

Asset class	Last revalued	Next scheduled revaluation
Infrastructural buildings	June 2019	June 2022 (every three years)

The Office of the Auditor-General has indicated an expectation that an emphasis of matter paragraph will be included in audit opinions for all entities with 31 March and 30 June 2020 year-ends, **highlighting the above relevant disclosures** made by each entity in the financial statements and performance report. If there are any issues relating to the measurement of balances disclosed in the financial statements, or there is a material uncertainty, there may be further modifications to the audit opinion. This does not in any way imply criticism of the District Council, but simply reflects the uncertainty created in the current post-Covid-19 environment.

We suggest that the District Council undertakes a formal, systematic assessment of the impact on its Annual Report of Covid-19 especially the financial statements.

As the audit impacts of Covid-19 are still being worked through, we will update the District Council on developments when we are informed of them.

The Covid-19 pandemic has and will impact on the timing of audits. Our general experience has been that audits take longer for two principal reasons. Firstly, client and audit staff working remotely, is overall, less efficient for the audit process. Secondly, the Covid-19 pandemic has created complex and challenging accounting and auditing issues that have and are taking time to address.

We expect that it will not be possible for all audits of public entities to be completed within the existing statutory deadlines. Consequently, we may need to prioritise the completion of audits based on both entity readiness and our own resource capacity to address the additional time expected to complete audits. We will maintain regular dialogue with management and the Board over the coming months.

There are also potential implications of Covid-19 on the District Council's Annual Report arising from any impact on the control environment during lockdown.

5 Adoption of new accounting standards



Public benefit entities must apply the new “group” accounting standards, PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.

Management is responsible for performing the necessary transition work to successfully implement these new standards. Areas of focus with the transition include:

- Assessing whether the revised control definition and guidance result in an entity being assessed as controlled under PBE IPSAS 35 for those entities previously assessed as not controlled under prior standards. For example, trusts established by the District Council that support the District Council in achieving its objectives.
- Determining whether a joint arrangement is categorised as a joint venture or joint operation. Joint ventures must be accounted for using the equity method.
- Updating the “group” accounting policies and “group” related disclosures in the financial statements. PBE IPSAS 38 generally requires more disclosure about interests in other entities than the previous standards.
- Implementing changes to systems and processes that may be necessary to support changes in accounting practices.
- Keeping relevant parties informed, such as your auditor and audit committee.

The transition to these new standards may require significant judgement for some arrangements and maybe particularly time consuming for those entities with a large number of potentially controlled entities. It is important that management substantially complete its transition work on these new standards well in advance of the final audit. We recommend that as part of this, management prepare pro-forma financial statements so that revised group-related disclosures can be agreed.

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Electronic purchase order system		
<p>The following recommendations were made:</p> <ul style="list-style-type: none"> Options are investigated to implement further electronic controls to ensure segregation of duties. A check is completed on a regular basis to identify instances where purchase orders are split. Consideration is given for the Procurement policy to include the requirement for an underlying contract for all suppliers with an annual spend greater than a set amount. 	2017/18	<p>These recommendations will be considered as part of the transition to the new FMIS system for expenditure.</p> <p>Open.</p>
Necessary		
Formalise information system/information technology change management procedures		
Requests for program changes, system changes and maintenance are standardised, logged, approved, documented and subject to formal change management procedures.	2018/19	<p>A new change management process has been developed in SharePoint by IT, and is starting to be used for infrastructure changes. It is proposed that this will continue to be improved and will be used for application changes.</p> <p>Quantum change management follows formalised processes including user testing and signoff.</p> <p>A handover of management of changes to Technology One payroll system from the project to IS operations is yet to occur.</p> <p>Matter progressing.</p>

Recommendation	First raised	Status
Necessary		
Develop and test organisational business continuity		
Develop and test organisational business continuity plans with each of its departments to ensure that services continue to be provided after an event.	2018/19	<p>Organisational BCP development was started towards the end of 2019, and testing had been planned for March 2020.</p> <p>BCP development was put on hold with Covid-19. No IT issues were encountered during Covid-19. Staff that needed to work were able to.</p> <p>The new proposed BCP framework is going to the Audit and Risk Committee in June.</p> <p>Matter progressing.</p>
Wastewater fault response timetables		
Ensure the processes Downer uses to capture and report the data is complete and accurate as per their contractual responsibilities.	2017/18	<p>No progress has been made. Refer to section 2.2.2 for further information.</p> <p>Open.</p>
Service request/work order system		
The District Council improves its service request system to ensure that data is valid and complete.	2016/17	<p>No progress has been made on this issue. It is planned this will be addressed as part of the Quantum project.</p> <p>Open.</p>
Unrecorded resolution times for Downer service requests		
The District Council encourages Downer to record a resolution time for all service requests as part of their contractual obligations.	2016/17	<p>No progress has been made. Refer to section 2.2.2 for further information.</p> <p>Open.</p>
Project management		
<p>We recommend improvements are made in regards to:</p> <ul style="list-style-type: none"> • Further refinement to the Strategic Plan. • Refinement of strategic mapping matching projects to benefits, outcome, and strategy. 	2014/15	<p>Project management is still an area the District Council are progressing, including further development of the project excellence programme, business cases for large projects and 'lessons learnt' template being circulated for large projects.</p>

Recommendation	First raised	Status
Necessary		
<ul style="list-style-type: none"> The use of business cases is currently a work in progress. Currently, business cases are typically only used for large projects, however the expectation would be that there are business cases for all projects. 		<p>There are still some areas identified for improvement, including aligning business cases to the LTP and annual plan for all projects and implementing a centralised system for project management, monitoring, tracking, and reporting.</p> <p>Matter progressing.</p>
Conflicts of interest		
<p>To further strengthen the existing controls, the District Council should consider:</p> <ul style="list-style-type: none"> if there is sufficient information in interest registers for those charged with governance and senior management, for example, the nature of the interest, whether it is pecuniary or non-pecuniary, and whether it represents an actual, potential, or perceived conflict; and improvements to the interest registers to also record the agreed approach to managing any conflicts amongst the declared interests. Reviews need to be completed to ensure that the mitigations are adhered to. 	2013/14	<p>The register has not been updated.</p> <p>Open.</p>
Beneficial		
Sensitive expenditure policy improvements		
<p>Policies for sensitive expenditure be reviewed with reference to "Controlling sensitive expenditure: Guidelines for public entities" published by the Office of the Auditor General, and the publicly available policy is updated to be the latest approved policy.</p>	2018/19	<p>Policy will be updated in 2020 and our recommendations will be considered as part of that review.</p> <p>Open</p>

Recommendation	First raised	Status
Beneficial		
Centralised contracts register		
A centralised contract register is implemented that includes the total contract value let, start date, expiry date and any additional information that may assist with contract renewal decisions	2016/17	No centralised contracts database has been implemented. Open
Procurement and contract management		
<p>The procurement guidelines and practices are updated to include the following points:</p> <ul style="list-style-type: none"> include guidance on the use of Contract Management Plans, what to do when contract performance obligations and expectations are not being met; and a programme of review of procurement contracts - currently this is limited to an ad-hoc approach to reviewing individual procurements. Clear guidance on what action is to be taken in response to findings. 	2015/16	<p>The District Council has yet to develop guidance for the use of contract management plans and a formal programme of review.</p> <p>Open.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Information systems policy review		
A process is established for cyclical review of policies.	2017/18	IS policies were approved by management in May 2019. Because of Covid-1, a review and update of IS policies is underway. Matter closed.
Stopping the clock for building consents		
Review current practice for stopping the clock to ensure compliance with the Building Act 2004.	2018/19	The clock is now stopped when the grant has been granted. Matter closed.

Recommendation	First raised	Status
Compliance with the treasury management policy		
Address non-compliance issues with the Treasury Management Policy.	2013/14	The District Council continues to breach limits included in their Treasury Management policy. As these breaches are reported to Council on a monthly basis, we have decided to close this matter. Matter closed.

Recommendations that will be followed up during the final audit

Recommendation	First raised
Necessary	
Annual report preparation	
The annual report process is planned and scheduled on a project basis and closely monitored to ensure milestones are met. The process should include an internal quality assurance review and the preparation of a substantiation file that includes copies of relevant documents and workpapers to support information in the annual report.	2018/19
Capitalisation of work in progress	
All projects are capitalised in a timely manner and a review is performed over the work in progress balance at balance to identify any further transfers required.	2018/19
Capital and operating commitments	
Implement quality control processes to ensure a quality reviewed version of the commitments listing is provided for audit.	2018/19
Rate review	
A quality assurance review is completed of future Annual Plans for future years before being published to ensure consistency with the resolved rates.	2018/19
Rental variation letters	
All variations to rental agreements are retained so that there is supporting documentation for all payments made.	2018/19
Sensitive expenditure – authorisation	
All items of sensitive expenditure are appropriately authorised on a one up basis. In cases, where Council has approved specific sensitive expenditure to occur, this approval should be attached to the item of expenditure.	2018/19

Recommendation	First raised
Necessary	
Breaches of sensitive expenditure policy	
<p>Further training is provided to staff to ensure that Sensitive Expenditure policies are complied with.</p> <p>A person in a position above the person incurring the expense approves sensitive expenditure incurred.</p> <p>The sensitive expenditure policy is amended to state all sensitive expenditure is approved on a one up basis, and the Chair of the Audit and Risk Committee approves that Mayor expenditure.</p>	2018/19
Active bank account access for an employee that has left	
User access is reviewed on a regular basis and updated as soon as employee is terminated.	2018/19
Valuer's recommended improvements	
The District Council reviews Opus' recommendations and considers implementing these improvements to the overall completeness and accuracy of data used for valuations.	2016/17
Depreciation rates	
The District Council reviews the fixed asset register to ensure all assets that are not land are charged depreciation and that the depreciation rates applied reflect the depreciation policy.	2016/17
Asset verification for roading assets	
Future valuations include physical verification of the assets being revalued where practical.	2016/17
Group valuation timetables	
Ensure the revaluation timetables of the group are consistent in order to comply with the requirements of PBE IPSAS 17.	2015/16
Beneficial	
Non-compliance with section 53 of the Local Government (Rating) Act 2002	
<p>The District Council liaise with BOPRC to ensure all requirements of section 45 and 56 are included on all future rates invoices and assessments.</p> <p>The District Council consider the legal ramifications of this matter, if any.</p>	2018/19
Bribery and corruption	
Consideration is given to the suggested Policy and practice improvements relating to bribery and corruption.	2018/19

Recommendation	First raised
Beneficial	
Approval of cashiers variances	
A formal process is implemented to monitor cash variances.	2016/17
Summary annual report	
Consider disclosing the actual results of some of the key non-financial performance measures. Consideration should be given as to which measures are likely to be of importance to the community.	2015/16
Building consent revenue	
Controls within the building consent revenue system are improved. This includes correctly charging government levies, recording building consents within the system at their actual values and implementing a review process of timesheets before preparing the invoice.	2015/16
Annual leave balances	
Annual leave balances for all staff are regularly reviewed to ensure the liability and associated risks are minimised.	2015/16

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, in addition to the audit we have carried out engagements in the areas of reviewing the debenture trust deed and an assurance engagement in relation to the Quantum project, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$141,847, as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>



Report to Taupo District Council & South Waikato District Council

Covid-19 EOC Debrief

Monday 27 July 2020

Purpose

This report records the outcomes of an informal and internal focused operational debrief of the Emergency Operations Centre (EOC) operation involving both South Waikato District Council and Taupo District Councils during Covid-19. This report covers the period 26 March 2020 to 2 June 2020.

Process

A debrief was held on Monday 22 July 2020 at the Function Room, Taupo Events Centre, Taupo, with Taupo District Council EOC staff in the morning. This was followed by a joint debrief with South Waikato District Council and Taupo District Council EOC staff in the afternoon. The debrief was conducted by an independent facilitator.

Terms of Reference

- Review the use and application of the CIMS structure as applied during the event
- Review the adequacy and appropriateness of resourcing and facilities
- Discuss all challenges noted on Sit reps and action taken during the event
- Discuss results from Survey Monkey Hot Debrief
- Discuss adequacy of previous training by both Councils in relation to this event
- Discuss Communication effectiveness
- Discuss Welfare effectiveness
- Discuss what went well overall and what could be improved.
- Discuss potential for both councils to enhance the inter-council MoU
- Discuss relationship going forward

Emergency Operation Centre

The EOC was initially set up at The Base, Taupo District Council. After several days, it was identified that this was not the best option and it was agreed to move the EOC to the Taupo District Council Prefab offices in Rifle Range Road.

The key problem with using the Base was the inability of staff working in the EOC to practice social distancing.

Using the Prefab proved effective for an EOC. The prefab offices had sufficient office space for team members to be able to access individual office space, when necessary, which provided a positive working environment. This location meant that the resources required by team members was on site and the South Waikato EOC team members did not have to provide additional resourcing.

It was acknowledged that Video conferencing with external agencies and groups was not always effective.

Council staff and contractors who normally were based in the facility needed on occasions to access their offices and resources, which caused some minor disruption to the EOC.

Despite minor issues as noted above, the setup of the EOC in the prefab was reported as having worked well.

Points for Consideration

It is important that initial consideration for setting up an EOC needs to ensure that appropriate resources, security, and enough space for the event being managed (E.g. social distancing in a Pandemic, office space for breakouts) be taken into consideration before establishing the EOC. This would ensure that the venue used for the EOC is fit for purpose.

Information/Communications

Some EOC staff had not received EMIS training. A CIMS structure was adapted which was believed to better fit the EOC needs. EMIS was used for information gathering however issues arose due to lack of training by some staff members and experience with this system.

As a result of this SMART sheets were set up by the Taupo District Council IT team. The EOC moved from the EMIS system to SMART sheets. The SMART sheets worked very well and captured the data that was required.

At the beginning of the operation there was a number of different templates used to capture the accommodation information for displaced persons, which then became a large workload for the EOC team. During one week the accommodation templates were changed three times, this caused immense frustration for the EOC staff. The templates were provided and changed by Group.

There were three specific areas where system problems were identified;

- the IT set up
- the EMIS programme was not appropriate to a Covid emergency
- no coordination of emails into the EOC, with several emails being used which caused a disconnect on information flow

It was noted there should have been more focus put on a split between planning and intelligence to better align with the Group Structure.

Computers already in place were available for EOC use, however staff identified that dedicated laptops would have been more helpful.

Points for Consideration

Discussions need to be held with Group EOC to better align Templates with information required in a Pandemic.

There should be coordination of emails to ensure that only approved emails are in use and there is a process for how the information, received in emails is captured, and distributed to the appropriate people.

Following the CIMS structure would have meant that some of the issues that arose in the EOC would have been eliminated.

Controllers

A number of points were raised about the role of Controllers. Controllers had different approaches on how they managed their roles.

When there were controller shift changes staff identified that there were constant changes in direction from one shift to the next. Differing views and interpretation between controllers regarding welfare caused some problems.

Controllers recorded their own notes. Not using a PA to capture their decisions was identified as a risk

Points for Consideration

Controllers should be committed to ongoing Controller training. If TDC and SWDC intend to continue jointly running EOC's they should hold regular Controller meetings so that they develop joint understanding among Controllers about best practice when working in an emergency.

Controllers need to understand their powers under the Act and not be distracted by external pressures.

To alleviate external pressure on Controllers during an emergency consideration should be given to having independent controllers.

Welfare and External Relationships

EMIS worked well for welfare recordings, however as identified not all EOC staff had received EMIS training.

Some issues arose with external Agencies not understanding the Civil Defense Welfare Committees role. This caused problems in implementing the welfare services required by the community due to some Welfare committee members not being available to contribute.

MSD did not participate in the EOC Welfare committee and referred everything back to the committee to address. This highlights gaps at a local welfare committee level with some partners not participating in Welfare Committee meetings in peacetime.

Welfare Liaison Roles, which were set up at the beginning of the event proved extremely valuable in networking with Iwi and Pacifica across the Southern Region. The Liaison Officers proved effective in engaging with a large number of homeless people and responding to their needs.

Points for Consideration

More work needs to be undertaken to build strong relationships and connections with the CD Welfare Committee and external organisation's and agencies who have a role to play in provision of Welfare in a CD emergency. E.g. Foodbanks, Iwi, Pacifica, DHB's MSD. It is key for these agencies and groups to participate in planning and preparing for incidents.

It was identified that the 0800 number, that was set up for Welfare assistance, did not always perform to expectation. Information provided by the contractor, who manages the system, in Palmerston North, was often not of the required quality.

Summary

This event, overall was professionally managed and achieved its objective at a relatively high standard. Over the ten week period, the EOC was in operation there was only one formal complaint which should be seen as confirming that it was a successful operation that met the community's needs.

The joint EOC overall worked well with some minor issues that should be addressed going forward.

It would be effective, for future incidents, that regular training between Taupo District Council and South Waikato District Council be implemented in the areas of joint EOC participation, joint controller collaboration, along with opportunities for Welfare and Liaison to meet and work together

At the beginning of an event the EOC should use the full CIMS structure and as the event progresses a modified CIMS structure could be considered. This could overcome any appointment of positions being missed, ensure an appropriate data flow and information capture.

Key to an EOC's success in a CD Emergency is regular training and it was noted in this event that a number of staff had had no training. This meant that time was spent in bringing staff up to speed with the role they were required to undertake. It was suggested, by the team in the debrief, that joint training/exercises would be beneficial with Iwi Agencies, external stakeholders, and identified Council staff taking part.

A joint EOC proved beneficial on this occasion and the strengthening of the MoU between Taupo District Council and South Waikato District Council is highly advantageous for management of Joint EOC's in future emergency's

Phil Parker
Independent Facilitator
7 August 2020

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The NZ mark of competence
Tohu Matatau Aotearoa

4 September 2020

Ms Susanna Barris
Manager - Food & Beverage
Ministry for Primary Industries
PO Box 2526
Wellington
New Zealand

Dear Susanna

I am enclosing the assessment report arising from the Food Act 2014 Recognised Agency Surveillance Assessment of Taupo District Council, which took place on Thursday, 20 August 2020.

Please do not hesitate to contact me if you have any further queries or you wish to comment on this report.

Yours sincerely

A handwritten signature in blue ink, which appears to read 'Jennifer Foley', is placed below the text 'Yours sincerely'.

Jennifer Foley
Lead Assessor
Encl: Assessment report

WPF

NZBN: 9429046194077



The NZ mark of competence
Tohu Matatau Aotearoa

MINISTRY FOR PRIMARY INDUSTRIES
RECOGNISED AGENCY ASSESSMENT REPORT

Taupo District Council
Surveillance Assessment
20 August 2020

IANZ, April 2020

IANZ, Private Bag 28908, Remuera Auckland 1541; Ph. (09) 525 6655, Fax (09) 525 2266



ASSESSMENT REPORT

Organisation Details

Organisation	Taupo District Council
Address	Pastoral House, 25 The Terrace Wellington New Zealand
Agency Contact	Susanna Barris

Assessment Team

Lead Assessor	Jennifer Foley
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Report Preparation

Prepared by	Jennifer Foley
Checked by	Julie Richards
Date finalised	04 September 2020



Introduction

This report relates to the Recognised Agency Surveillance Assessment of Taupo District Council which took place on 20 August 2020. This assessment was undertaken on behalf of the Ministry for Primary Industries (MPI) in order to make a recommendation to MPI whether or not Taupo District Council continues to meet the requirements for recognition as an agency to conduct registration, verification, compliance and monitoring activities.

Recognition is a conclusion that the agency complies with the relevant sections of the Food Act 2014, regulations of the Food Regulations 2015 and other applicable MPI criteria. The assessment was a sampling exercise and therefore this report is based on the observations made during the assessment.

Compliance with all legal requirements relating to health and safety is the responsibility of the agency. Where some items relating to health and safety may have been identified, this does not represent an exhaustive report on the agency's compliance with such legal requirements. Auditing for compliance with legal requirements relating to health and safety is outside the scope of this assessment.

Executive Summary

Taupo District Council had the following functions under the Food Act 2014:

- Registration of food businesses;
- Verification of Template Food Control Plans (FCPs) within Territorial Authority exclusivity;
- Verification of Template FCPs outside Territorial Authority exclusivity;
- Verification of National Programmes;
- Applicable enforcement, compliance and monitoring activities

In order to conduct the verification of Template FCPs outside council exclusivity and the verification of National Programmes, Taupo District Council was required to maintain its recognition by MPI according to the Food Act 2014. The purpose of this assessment was to conduct an organisational competence assessment of Taupo District Council to determine whether it continued to meet the requirements for recognition as an agency conducting verification services.

This assessment consisted of:

- A desk-top review of Taupo District Council's Quality Management System (QMS) against the Food Act 2014, the Food Regulations 2015 and MPI criteria;
- A remote assessment of the implementation of the submitted QMS.

The assessment was attended by Bryan Brett (Senior Compliance Environmental Health Officer) and Scott Devonport (Consents and Regulatory Manager for the agency). It was clear from the assessment that the agency and its staff were very engaged in the recognition and assessment process and with making improvements to their system. Systems were well documented and implemented to a high standard. Taupo District Council was working diligently to meet the requirements of a recognised agency and had developed a system to support this work.

A summary of all findings was provided at the end of the assessment in an on-site report. For consistency, the recommendation numbers reflect those assigned in the on-site report, which means they may appear out of order in the observations section of this report.

IANZ maintains records on the data collected, findings and completed checklists addressing specific accreditation requirements.



Observations

COVID-19 response

The agency had consciously chosen not to undertake remote checks. This decision was made based on a number of factors. This included the fact that the agency did not have a significant problem with overdue verifications which would necessitate undertaking verifications throughout the lockdown period. The agency was also not fully assured that the businesses due for verifications would be confident participating in a remote check. All verifiers had however completed the required training for remote checks. Of course, the agency may have to reconsider this decision if further lockdown measures are implemented in the future. There was evidence to demonstrate that verifiers were checking how food safety was managed on reopening after lockdown.

Conflicts of interest

The agency had a register to record conflicts of interest. Most entries related to cases where verifiers had personal relationships or connections to food businesses. These potential risks all appeared to be managed appropriately. The agency had employed a new verifier since the last assessment, Tamzen Winder. A declaration had been completed and signed by Tamzen. The agency noted that there may be plans in the coming months to engage a contractor. It was discussed with the agency that there may be potential risks associated with the use of a contractor that would need to be identified and managed.

Confidential information

Confidentiality was described in the terms and conditions that food businesses were provided. These agreements included detail on when the agency would be required to release confidential information. Examples included when information would be reported to MPI and where information may be included on a public register.

Staffing

The agency currently had three verifiers:

- Bryan Brett
- Shane Hancock
- Tamzen Winder

Bryan and Shane were both recognised persons. Tamzen was currently verifying under the council's exclusivity. However, she had recently been witness assessed by an agency on behalf of MPI and as such, the intention was for Tamzen to become a recognised person soon. Taupo District Council (TDC) indicated that the last time their verifiers went through this process that MPI awarded recognition to the two TDC verifiers without the need for the agency to specifically apply. It is suggested that TDC may need to find out if the application is required for the latest verifier to seek recognition (See form FA13P). The agency had supplied an induction record for one of its staff members that had not been completed. The agency had identified this during the lead up to the assessment and was in the process of addressing this. See recommendation **R4**.

Resourcing

There was evidence that the agency had sufficient control and understanding of its resourcing requirements. Minutes of meetings indicated that the agency had identified potential risks to resourcing. Resourcing would potentially be impacted by a project that Bryan Brett was a key member of. It was discussed that the agency would potentially consider a contractor for the months where Bryan would be tied up with this project. Meeting minutes discussed the possibility of hiring a new verifier. The resourcing requirements were constantly changing particularly with the knock-on effects of COVID-19 on food businesses. This was being actively monitored by the agency.

There were no shared services agreements in place with other councils however Bryan Brett had worked previously with South Waikato District Council on a temporary basis to provide extra resources. The wider council recruitment and staffing policies were used when hiring new persons. These included the required



checks to ensure that persons were 'fit and proper'. It is recommended that the agency include this information in its own QMS. See **R5**.

Reporting requirements

Electronic copies of verification reports were maintained. A review of a selection of reports identified that all the mandatory requirements defined in the regulations were being verified. There was what appeared to be an isolated incident where a mandatory topic was not verified. As this was isolated, it has been included as a recommendation for the agency to review and address as appropriate. See **R10**. Related to reports, the agency should consider having all reports peer-reviewed by a colleague before release. While not a requirement, this would help reduce incidents of minor typos or mistakes in reports. See **R9**. It is further recommended that the site number be included in verification reports. See **R8**.

Reporting to the regulator, MPI, using Titiro was reviewed during the assessment. The agency manually entered data into the system. Titiro reports could be useful tools for the agency in terms of providing training and calibration. Recommendation **R3** relates to this.

Records

The agency maintained an electronic record keeping system and many of the processes for creating records were automated. Verification records were generated using Datascape. This was an electronic form filling system. This system was implemented in conjunction with a number of other councils, and was seen to be a useful system. There were discussions that the cost to update or make changes to forms in this system was prohibitory. Reports were generated directly from the verification records.

Non-compliance and corrective action

Reports reviewed demonstrated the process for managing non-compliance and corrective action. Agreed closeout dates were documented in verification reports. Once the information had been received to close out any non-conformances, this was recorded in the report. In some cases, the agency undertook re-visits to determine if corrective action had been undertaken and if this was appropriate. The Food Regulations state that verifiers can recommend corrective action where there is a non-compliance with an applicable requirement. There were some cases where non-conforming topic outcomes resulted in corrective action request. However, in other instances, non-conforming topic outcomes did not result in corrective action requests. The agency is recommended to review this. See **R11**.

The agency demonstrated how it managed cases of critical non-compliance and reporting to the registration authority. Management of overdue verifications and registrations was also assessed. The agency was actively monitoring expiring registrations by using a reminder system sent by the business support team. A recommendation relates to this process to ensure that the agency can easily demonstrate that it is following due process in managing expired registrations. See **R1**.

Complaints and disputes

The agency was able to demonstrate that it had a process for managing complaints and disputes. A register was provided which recorded any complaints received by the agency and how these were managed. In all cases, the agency had undertaken to address the complaints and contact the complainants. The register demonstrated that the agency was dealing with dissatisfied customers but that the issues raised did not appear to represent actual faults on the part of the agency or failing to meet requirements.

Internal management

An audit schedule was in place and this broke down the audits into sections. An example of a completed audit had been provided for June 2020. The agency had utilised a colleague from the building team to undertake this audit to add a level of independence. A thorough audit had been undertaken and good records of the audit had been retained. The agency indicated that for audits that would require more technical knowledge and understanding, they would ensure that a competent person would undertake these.



The last assessment had raised a non-compliance related to the lack of a management review meeting. The implementation of corrective action was reviewed during this assessment and demonstrated that this was now being undertaken. This had been completed by Scott Davenport in June 2020.

The agency's QMS was well implemented by the team. The QMS and associated systems were appropriately supporting the agency in achieving its objectives. A recommendation relates to some minor updates that may be required to the QMS. See **R2**.

Review of performance

The agency had a number of systems in place to review the performance of verifiers. The agency provided a selection of peer review/monitoring reports covering all the verifiers working for TDC. Peer reviews had been classified as either internal or external. External peer reviews had been completed by a verifier from another agency (Michelle Johnston). Internal peer reviews had been completed by TDC verifiers. This process was supported by a documented system. The reports used for peer reviews were comprehensive and importantly, they contained comments on the performance of the person under observation. There were comprehensive records of how the agency deals with findings or comments arising from internal peer reviews to ensure these are actioned and addressed. It is recommended that this system is applied to external peer reviews also. See **R6**.

Training needs identification was discussed as a standing agenda item at the monthly QMS meetings. Minutes demonstrated that the agency was looking for training opportunities and that it was also collaborating with other recognised agencies during cluster meetings.

Continual Professional Development (CPD) requirements were being implemented by the agency and evidence to support this was provided in the form of learning plans. These were reviewed and showed that the agency was managing this process well. A recommendation relates to this. See **R7**.

Contractual arrangements

A range of verification reports was selected for review. For each report, the agency was able to demonstrate that the food business had been supplied with a copy of the Verification Appointment Confirmation. This included detail on the scheduled verification times, scope, requirements, cost and expectations. The agency used an electronic system to receive requests for registration. Food businesses could elect to choose TDC as its verification agency. This would then require the business to confirm that they had read and agreed to the agency's terms and conditions.

The agency indicated that it had previously received advice that agreements were not required for food businesses operating Template FCPs. However, TDC had decided to request businesses to submit these agreements regardless, since mid-2019. The assessor agreed with the agency's decision as it is important to ensure that clients are aware of and agree to any terms or conditions of trade. This provides protection to the agency. TDC are encouraged to keep this requirement in place.

The TDC website contained a large amount of useful information for food businesses. This was reviewed during weekly meetings.



Assessment Findings

The following non-conformities must be implemented in accordance with the plan agreed to by the agency and detailed below for each non-conformity. MPI will manage the non-conformities to resolution, and all corrective actions and related correspondence must be addressed to: foodact.verification@mpi.govt.nz

Recommendations are intended to assist the agency in its efforts to maintain an effective quality management system and are not conditions of recognition. All corrective actions and recommendations will be followed up at the next assessment.

Non-conformity number	NC 1	Reference	110 (2)
Details of non-conformity			
<p>The agency had clearly put some thought into its sector competency framework. The following was not fully addressed, however:</p> <ol style="list-style-type: none"> 1. Recording what Risk Based Measures (RBM) and sectors individual verifiers were approved for. 2. Having a process where someone sufficiently competent and senior is approving verifiers for particular RBMs and sectors on behalf of TDC. A verifier should not verify any sector or RBM until they have received this approval from TDC. 3. Having the date someone was approved on (for each RBM & sector). 4. Having the name of the person who undertook the approval. 5. Requiring the reasons for approval and linking this to appropriate evidence. 6. Linking assessment to approval. 7. Considering which sectors may require a positive peer review before a verifier can be approved. 			
Information provided by the agency to rectify non-conformance			
<ol style="list-style-type: none"> 1. You will find attached our new 'application form' for verifiers to apply to the recognised agency to verify a particular sector. This form asks for relevant information and evidence in relation to a specific sector and also references the competency document. This competency document is also under modification (in progress) to make it very sector specific (to match the summary document) and to make it clear as to what general competencies as well as specialist knowledge would be expected to be understood by the verifier prior to sign off on a sector. It also contains a final approval section to show the reasons for the decisions. 2. Please note while I have provided a copy of the competency summary document it has not yet been fully modified, but it should give you an idea of where we are going in relation to the specific competencies expected per sector. I have also only included in this list the sectors which a) we could verify, and b) the ones we currently have in our district. Not all possible sectors are included as its unlikely we would ever have these and if we did we probably wouldn't verify them. 3. We have also included an interim approval process whereby once a verifier understands the requirements of a sector they could then complete a verification under peer review by a senior verifier or external party. This would then inform the RA as to whether in their opinion that verifier was able to demonstrate the skills expected of them in relation to this food sector and competency summary. 4. You will also find a summary of proposed changes as well as requested close out periods in the attached document called External Audit Corrective Actions for annual surveillance. At this stage I am proposing that we make the final close out at the next annual surveillance audit as this would give us time to complete potential peer reviews for manufacturing sectors in our district. In reality most changes for basic food service and retail businesses can be quickly implemented but to finalise this process for our manufacturing sectors will take some time. 			
Comment / closure and date			
<p>The agency should be commended for providing such a thorough and well thought out corrective action plan for this corrective action within a week of the assessment date. TDC has also implemented corrective action for this non-conformance. Evidence was sighted of the following:</p> <ul style="list-style-type: none"> • Completed External Audit Corrective Actions for QMS which details the corrective action plan. 			



This also included detail on what the agency had done to date to correct this issue.

- *Taupo District Council Food Sector Approval Document* – this was a summary document that would be used to demonstrate what sectors a verifier was approved for including dates and the name of the person undertaking the approval.
- *Application to Verify Specific Food Sector* - this form would be used by verifiers to apply for approval for the various sectors. The form would also be used by the agency to assess verifier's applications and determine if approval for a sector was appropriate.
- *Taupo District Council Competency Summary for Verifiers* – this was a guide to demonstrate the sector specific-competencies expected of verifiers.

The agency may wish to consider providing links to records and evidence in its Application to Verify Specific Food Sector form. The agency may also wish to consider other forms of assessment that may be necessary before approving a verifier for a sector. Peer review is one form of assessment. Quizzes, interview and other forms of assessment may be considered remembering that records of assessment should be maintained.

The corrective action proposed and actioned appears to be appropriate to address this non-conformity.

The agency has recognised that there is still work to complete in order to address this non-conformity. The agency has proposed that this be followed up and reviewed as part of the next QMS assessment. The assessor agrees and the information provided has been accepted and is to be followed up at the next assessment. Please note, while the assessor has accepted this, MPI may request information and/or updates on this action.



Recommendations to Taupo District Council	
R1	It is recommended that the agency consider if there is a more consistent way to send, save and/or access reregistration notification emails. There were some cases where the email evidence to support the process for managing re-registration and associated interventions was difficult to find.
R2	It is recommended that the agency review the QMS as there appeared to be some outdated information, particularly in the background section. There were also two version dates listed on the QMS.
R3	It is recommended that the agency uses any cases of non-compliance and critical non-compliance as training/calibration opportunities. It may also be useful to review verification data on Titiro to look for any trends. This could then feed into training and calibration.
R4	It is recommended that the agency finalise Tamzen's induction record which was not fully complete.
R5	It is recommended that the agency includes in its QMS how it ensures 'fit and proper' person checks of verifiers, particularly section 137 verifiers.
R6	It is recommended that the agency has a process for reviewing and addressing comments that external peer reviewers make in reports. This was being done for internal peer reviews.
R7	It is recommended that the agency review and update all CPD learning plans and portfolios as necessary.
R8	It is recommended that the agency include the RBM registration number on verification reports
R9	It is recommended that the agency consider more frequent report reviews. It could be a requirement that all verification reports are reviewed by a peer for spelling, grammar, consistency, and understanding. This would help to prevent potential errors on reports.
R10	It is recommended that the agency review report ID: FP1005 as it appears that a Top 5 topic may not have been included.
R11	It is recommended that the agency review the requirements for assigning non-conformances. It appears the agency had received some contradictory information on assigning corrective action for non-conforming topic outcomes

Recommendation to MPI

IANZ recommends that Taupo District Council continues to meet the requirements to be a Recognised Agency to conduct verification services under the Food Act 2014, on condition that the non-conformity detailed above is approved by MPI according to the plan provided by and agreed with Taupo District Council



Summary:

Taupo District Council

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Table Of Contents

Key Rating Factors

Outlook

Rationale

Key Statistics

Ratings Score Snapshot

Key Sovereign Statistics

Related Criteria

Related Research

Summary:**Taupo District Council****Issuer Credit Rating**

AA/Positive/A-1+

Key Rating Factors

Financial management and institutional framework support ratings; COVID-19 pandemic will weigh on tourism	COVID-19 and new administration building driving modest deficits; exceptional liquidity because of large investment fund and reserves remain key strengths
<ul style="list-style-type: none"> • New Zealand's institutional settings as well as Taupo's experienced management team continue to support our ratings on the council. • Taupo's economy, like that of its peers, will be affected by the COVID-19 pandemic. 	<ul style="list-style-type: none"> • Budgetary performance remains strong as COVID-19 weighs on revenue growth in 2020 and 2021. A new administration building should ensure after-capital account moves into modest deficit. • The council's large liquid asset portfolio and reserves continues to support liquidity coverage and the rating.

Outlook

The positive outlook on Taupo District Council reflects that on the sovereign because the council's ratings are constrained by the long-term foreign-currency rating on New Zealand. We could raise our ratings on Taupo within the next two years if we were to do the same for New Zealand.

Downside scenario

We could lower our ratings if we were to take a similar action on New Zealand or if Taupo's own creditworthiness were to deteriorate substantially from our current expectations, which could weaken our view of its financial management. This could occur if the council were to substantially increase capital spending without offsetting revenues, driving the budget into large after-capital account deficits.

Rationale

We have updated our ratings and financial forecasts on Taupo, incorporating the effects of the COVID-19 pandemic. Our ratings on Taupo reflect its experienced financial management, which has been funding capital expenditure through strong operating surpluses and maintaining exceptional liquidity coverage via a large liquid asset portfolio and reserves. New Zealand's excellent institutional framework underpins our ratings.

We forecast the council's after-capital account balance will move into deficit from 2020 due to revenue headwinds

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JUNE 22, 2020 2

Summary: Taupo District Council

related to the COVID-19 pandemic and the construction of a new administration building. This will ensure debt-to-operating revenues remain relatively high compared with its peers.

We continue to cap our ratings on Taupo at the level of our long-term foreign-currency rating on New Zealand (AA/Positive/A-1+). Although Taupo has a standalone credit profile higher than the sovereign's, we cap our ratings on Taupo because it does not meet the conditions in accordance with our criteria to be rated above the sovereign. We do not believe any New Zealand local council, including Taupo, could maintain stronger credit characteristics than the sovereign in a stress scenario.

Financial management and institutional framework support ratings; COVID-19 pandemic will weigh on tourism sector

The institutional framework within which New Zealand councils operate is a key strength supporting Taupo's credit profile. The New Zealand local government system promotes a strong management culture, fiscal discipline, and high levels of financial disclosure among local councils. In addition, the framework is supportive of councils' rate-collection abilities. This system allows Taupo to support higher debt levels than some of its international peers can tolerate at the current rating.

Taupo's financial management is strong and has delivered very strong financial outcomes since 2013. The consistent delivery of after-capital account surpluses since 2013 and the delay of the new administration building have given the council the ability to freeze a general rate increase in 2021 without materially weakening its financial position. The council has chosen to freeze the general rate increase as businesses and residents suffer during the COVID-19 pandemic and government-imposed lockdown.

Taupo's economy will suffer during the COVID-19 pandemic, like that of its peers. Taupo has a higher level of exposure to tourism than most of its peers and therefore was hit hard during the government-imposed lockdown between late March 2020 and June 2020. Tourism and related industries are key contributors, at about 20%, to the local economy. We believe international travel restrictions affect Taupo less than some domestic councils, such as Queenstown, which have a higher reliance on international tourism. A planned delay to the Ironman 70.3 World Championships will affect the local economy.

In saying this, we believe Taupo will benefit from an earlier-than-expected easing of the lockdown as domestic tourism picks up and international travel restrictions remain in place. Further, Crown policies will support businesses and residents' ability to pay rates during this period.

The district has a large number of holiday homes, which exposes Taupo's property market to New Zealand's broader economic conditions. This could weaken the local economy and revenue streams in the event of an economic downturn in other locations, such as Auckland.

Like all of its domestic peers, Taupo is governed by an elected group of councilors, led by a mayor, who was re-elected for another three years on Oct. 12, 2019. We don't expect any material change in the direction of the council after the election.

Taupo prepares a long-term plan every three years, taking a forward-looking approach to financial management. The plan sets an important baseline for the council's operating and capital expenditure requirements and its funding

Summary: Taupo District Council

strategy. Debt and liquidity policies are prudent, with no issuance of foreign currency and interest exposure being mostly hedged. Further supporting our view is Taupo's policy of cash funding its depreciation, its relatively significant holdings of liquid assets, and the council's focus on fiscal consolidation since 2013, following years of key infrastructure spending.

COVID-19 and new administration building driving modest deficits; exceptional liquidity because of large investment fund and reserves remain key strengths

We expect Taupo's after-capital account balance to move into deficit of about 5% of total revenues from 2020 to 2022. This is because the council is facing revenue headwinds due to the COVID-19 pandemic and is constructing a new administration building. We expect the new administration building to commence in 2022, after the council delayed the project to support its financial position when it froze the general rate increase in 2021. These will be the first deficits since 2013. User charges and fees are likely to be down modestly due to the government's lockdown, which required community facilities to close for a period. We expect the recovery of any rate payment deferrals to occur as early as 2022.

Aside from the new administration building, we do not envisage any major infrastructure projects, given the council's previous key upgrades to water assets and roads. We expect Taupo to spend an average of around NZ\$34.8 million per annum during 2020-2022 on infrastructure, predominantly renewals. Its operating balance remains strong, with the five-year average standing at 25% of operating revenue during 2018-2022.

Taupo has very strong flexibility to support its budgetary performance if needed. Like most of its domestic peers, Taupo generates a substantial proportion of its revenues from property rates and user charges, which it is able to raise, and it could delay nonessential capital expenditure without creating backlogs. Further supporting its flexibility are its very large holdings of liquid financial assets and cash reserves compared with its revenue base. Cash, term deposits, and equities account for more than 140% of operating revenues.

We forecast Taupo's debt levels to rise over the next few years to 175% of operating revenues in 2022 from 166% in 2019. This reflects after-capital account deficits in 2020-2022 and prefunding of upcoming debt maturities. Interest expenses will remain high, at more than 10% of operating revenue between 2019 and 2021. Interest costs could fall as a percentage of revenues as some of the council's high interest rate hedges unwind. Taupo's debt levels are much lower than in the past; debt levels reached more than 250% of operating revenues in 2012.

The council's liquidity position remains exceptional, with a debt-service coverage ratio of 244% for the next 12 months by cash and liquid assets, and its access to the New Zealand Local Government Funding Agency (LGFA). The council has more than NZ\$123 million of cash and liquid assets (after haircuts) and undrawn bank facilities of NZ\$50 million. Taupo is a shareholder and borrower through the LGFA, which provides cheaper and longer-tenor funding than the council could access by itself. We consider Taupo's access to external liquidity to be strong because the LGFA is a central government-related entity with an extremely high likelihood of support.

The council's insurance policies, disaster recovery fund, and its investment fund limit its exposure to unexpected risks that could arise from natural disasters such as volcanic eruption or the flooding of Lake Taupo.

Summary: Taupo District Council

Key Statistics

Table 1

Key Statistics						
(mil. NZ\$)	--Year ended June 30--					
	2017	2018	2019	2020BC	2021BC	2022BC
Selected Indicators						
Operating revenues	79	88	89	86	86	98
Operating expenditures	57	62	67	68	68	70
Operating balance	22	26	21	18	19	28
Operating balance (% of operating revenues)	27.9	29.3	24.0	21.2	21.6	28.6
Capital revenues	15	7	13	10	8	5
Capital expenditures	18	20	25	35	27	42
Balance after capital accounts	19	12	10	(7)	(1)	(9)
Balance after capital accounts (% of total revenues)	20.2	12.9	9.4	(6.9)	(1.2)	(8.3)
Debt repaid	10	12	41	31	51	41
Gross borrowings	8	10	42	51	54	44
Balance after borrowings	17	10	11	13	1	(5)
Tax-supported debt (outstanding at year-end)	147	145	147	167	170	173
Tax-supported debt (% of consolidated operating revenues)	186.7	164.7	165.9	193.4	196.8	175.5
Interest (% of operating revenues)	11.4	9.8	10.0	10.7	10.9	9.7
National GDP per capita (single units)	57,980	60,826	62,022	61,712	62,483	65,371

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings Score Snapshot

Table 2

Ratings Score Snapshot	
Key Rating Factors	
Institutional framework	1
Economy	2
Financial management	1
Budgetary performance	1
Liquidity	1
Debt burden	5
Standalone credit profile	aa+
Issuer credit rating	AA

Summary: Taupo District Council

Table 2

Ratings Score Snapshot (cont.)

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

Sovereign Risk Indicators. Interactive version available at <https://www.spratings.com/sri>.

Related Criteria

- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Governments | International Public Finance: Methodology: Rating Non-U.S. Local And Regional Governments Higher Than The Sovereign, Dec. 15, 2014
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Default, Transition, and Recovery: 2018 Annual International Public Finance Default And Rating Transition Study, Aug. 19, 2019
- Global Ratings List: Local And Regional Governments 2019, Aug. 3, 2019
- Non-U.S. Local And Regional Government Had A Good Half, Ratings-Wise, July 16, 2019
- New Zealand Councils Remain Highly Rated Even As Debt Expands, June 25, 2019
- Local Government Debt 2019: Global Debt Stock, Outside The U.S., To Exceed US\$11 Trillion By 2020, Feb. 26, 2019
- New Zealand Outlook Revised To Positive On Improving Fiscal Position; 'AA+' LC And 'AA' FC Ratings Affirmed, Jan. 31, 2019
- 2019 Outlook: Prospects For Non-U.S. Local And Regional Governments Remain Sound, Although A Few Risks Loom For Some Entities, Dec. 11, 2018
- Public Finance System Overview: New Zealand's Institutional Framework For Local And Regional Governments, Nov. 12, 2018

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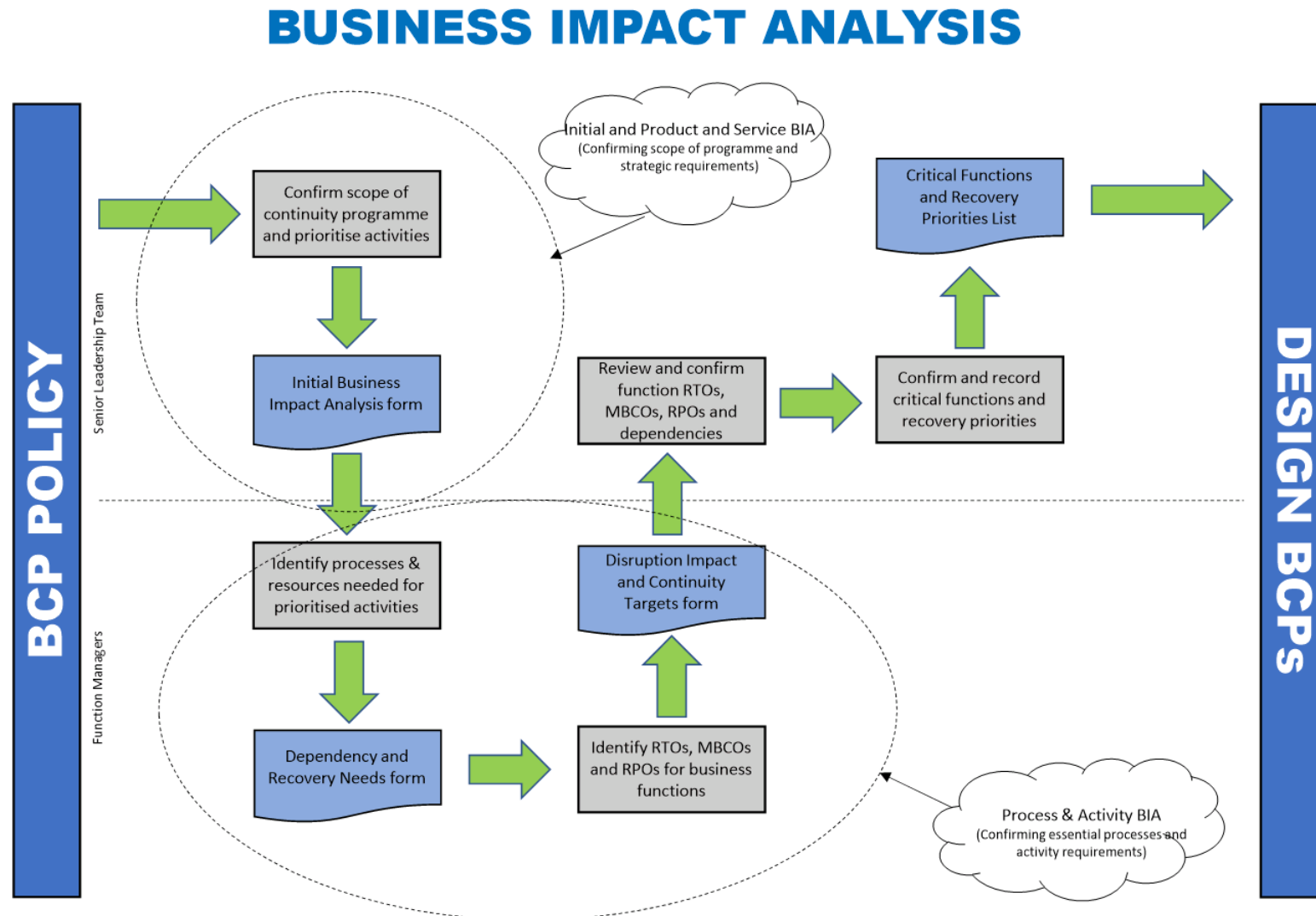
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JUNE 22, 2020 7





Key Business Continuity Targets

Business Service:

Completed by:

Date:

Quick Definitions

Maximum tolerable period of disruption (MTPD)

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. (also known as the maximum acceptable outage MAO)

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.

Minimum Business Continuity Objective (MBCO)

The minimum level of services and/or products that is acceptable to the organization to achieve its business objectives during a disruption.

Recovery point objective (RPO)

The point to which information used by an activity must be restored to enable the activity to operate on resumption.

[illegible]

Impact of Disruption

Business Service:

Completed by:

Date:

Activity	Time	Impact on staff or public wellbeing 1 (low) to 5 (high)	impact of breaching legal or regulatory requirements 1 (low) to 5 (high)	Damage to reputation 1 (low) to 5 (high)	Impact on financial viability 1 (low) to 5 (high)	Impact on achieving organisational objectives 1 (low) to 5 (high)	Damage to natural environment 1 (low) to 5 (high)	Total Score
Activity	1 hour							
	4 hours							
	1 day							
	3 days							
	1 week							
Activity	1 month							
	1 hour							
	4 hours							
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	4 hours							
Activity	1 day							
	3 days							
	1 week							
	1 month							
	1 hour							

Dependencies and Recovery Needs

Business Service:

Completed by:

Date:

(For the business activity list the dependencies at each time period starting from the relevant RTO. Then calculate the total requirement across the time periods)

Dependency	Normal Requirement	1hr	4hrs	1 day	3 days	1 week
People	People & Capability Manager 3 x P & C Business Partners 1 x P & C Co-ordinator 1 x Payroll Advisor					
Information and Data	Employee records Training records Payroll data					
Buildings, work environment and associated utilities	5 desks in HQ building, power and HVAC					
Facilities, equipment and consumables	5 desktop computers or laptops with access to printer, copier scanner and fax.					
ICT Systems	Finance system Payroll/HR system EDMRS (Objective) Email Internet access					
Transportation	Commuting from home to work and back					
Finance	Operational expenses					
Partners and suppliers	Occupational health provider					

**INTERNAL AUDIT/REVIEW OF SENSITIVE
EXPENDITURE FOR THE PERIOD
01 January 2020 – 30 June 2020**

1. OVERVIEW

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

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

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

2. SCOPE OF AUDIT/REVIEW

This audit/review covers the 6-month period between 01 January 2020 to 30 June 2020 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 Finance Officer – Banking for cards issued to staff and the Chair of the Audit & Risk Committee for the credit card issued to the Mayor.

During the 6 months covered by this audit/review a total of 221 transactions were made on council credit cards with 40 of these directly related purchases that fall within the definition of sensitive expenditure.

No variations from the policy were identified

2.2 Section 8 – Travel & Accommodation

104 expenditures for accommodation and travel were identified and reviewed. These consisted of 87 using the EPO system, 7 reimbursements through the payroll system and 10 were made using council credit cards and reviewed under that section.

No variations from the policy were identified

2.3 Section 9 – Meals/Food & Refreshments

42 individual expenditures were identified and reviewed for meals/food and refreshments. These consisted of 18 using the EPO system, 11 reimbursements through the payroll system and 13 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

16 individual expenditures were identified and reviewed for meals/food and refreshments. These consisted of 6 using the EPO system, 4 reimbursement through the payroll system and 6 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

31 individual expenditures were identified and reviewed for staff support and welfare. These consisted of 21 using the EPO system, 3 reimbursements through the payroll system and 7 made using council credit cards and reviewed under that section.

No other issues were identified.

2.7 Section 13 – Donations and Gifts

61 individual expenditures were identified and reviewed for donations and gifts. 14 were completed through the EPO system and 4 were made using Council credit cards.

No variations from the policy were identified.

4. SUMMARY

A total of 211 incidents of sensitive expenditure were identified and reviewed down from 987 in the previous 6-month period.

The new financial controls implemented have seen a significant reduction in expenditure across the Council and this is reflected in this review/audit.

Jamie Dale
Risk Manager

Taupō District Council
Risk & Assurance Committee
Schedule of Policies

Policy	Date of last review	Date of next review
Fraud Policy	May 2018	May 2021
Risk Management Charter	June 2019	June 2021
Protected Disclosures Policy	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	2022
Insurance Strategy Review		TBA

A2746483

STANDING COMMITTEES

Risk and Assurance Committee

Standing Committee

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

Scope of activity

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

Power to act

The Committee has the power to:

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

Power to recommend to Council

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

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

Delegation of powers

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

Limits on authority

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

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