

**I give notice that
a Risk & Assurance Committee Meeting will be held on:**

Date:	Tuesday, 21 June 2022
Time:	10.00am
Location:	Council Chamber 107 Heuheu Street Taupō

AGENDA

MEMBERSHIP

Chairperson Mr Anthony Byett

Deputy Chairperson Cr Anna Park

Members

- Cr Kathy Guy
- Mr Danny Loughlin
- Cr John Mack
- Cr Christine Rankin
- Mayor David Trewavas
- Cr John Williamson

Quorum 4

Gareth Green
Chief Executive Officer

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3.1 RISK & ASSURANCE COMMITTEE MEETING - 8 MARCH 2022

Author: Nicole Turnbull, Executive Assistant

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

RECOMMENDATION(S)

1. That the minutes of the Risk & Assurance Committee meeting held on Tuesday 8 March 2022 (public and confidential portions) be confirmed as a true and correct records.

ATTACHMENTS

1. Risk & Assurance Committee Meeting Minutes - 8 March 2022
2. Risk & Assurance Committee Meeting Minutes - 8 March 2022 - Confidential

4.1 REVIEW OF ASSET DISPOSAL POLICY

Author: Jamie Dale, Risk Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To adopt the current asset disposal policy with minor changes

DISCUSSION

In 2018 Audit New Zealand identified the need for the Council to have in place a policy for fixed asset disposals. The policy should include when and how assets will be disposed and aim to achieve best possible outcomes for the Council. They also recommended that all decisions should be documented. As a result of this a policy was created, reviewed by Audit New Zealand and formally adopted in March 2019. This policy was due for a review in 2021.

Asset disposal activities generally occur when assets are;

- required to be disposed of under a particular policy e.g. motor vehicles
- no longer required due to changed procedures, functions or usage patterns;
- occupying storage space and not being needed in the foreseeable future;
- reaching their optimum selling time to maximise returns;
- no longer complying with workplace health and safety standards;

The disposal of assets needs to be carefully planned and conducted so that they maximise value for money for the Council and minimise opportunities for exploitation by individual employees, private persons or organisations and takes place in a transparent and accountable manner.

To achieve the required outcomes the disposal of assets should comply with the following principles:

- Disposals must ensure Council achieves the best net value for the asset.
- Disposals must comply with all relevant statutory and legal requirements.
- All disposals are to be conducted in an efficient, effective, and transparent manner.
- All asset disposals are to be appropriately authorised and adequately documented.
- Council staff and elected members are not advantaged over members of the public.

The current policy covers all these situations and is supported by various standard operating procedures that continue to evolve to ensure that principles detailed in the policy are met. Apart from some minor grammatical tidy ups to clarify some ambiguities identified, no material amendments are considered necessary.

CONCLUSION

The Asset Management Policy defines the outcomes the Council needs to achieve when assets are disposed of. While over the past 3 years, the procedures for how assets are disposed of have evolved and changed, the principles and required outcomes have not.

The existing policy continues to meet the requirements of Audit New Zealand and ensures the Council meets all its statutory requirements and acts in the best interests of the ratepayers. With some minor wording changes to remove some potential ambiguity relating to what constitutes a disposal for the purposes of the policy, the policy is expected to meet the needs of the Council for another 2 years.

RECOMMENDATION(S)

That the Risk & Assurance Committee adopts the proposed 2022 – 2024 Asset Disposal Policy.

ATTACHMENTS

1. Proposed Asset Disposal Policy 2022

4.2 AUDIT NZ RECOMMENDED IMPROVEMENTS TO SENSITIVE EXPENDITURE POLICY

Author: Jamie Dale, Risk Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To update the committee on the status of the recommended improvements to the current sensitive expenditure policy identified by Audit NZ in the Council's end of year report.

DISCUSSION

The current Sensitive Expenditure Policy was reviewed in March 2021 against the Office of the Auditor General (OAG) publication, Controlling sensitive expenditure: Guide for public organisations October 2020 and results of internal audits/reviews of sensitive expenditure over the preceding 3 years.

This review resulted in additional wording in the principles for decision making (refer 2.4 and 2.5 of the guide) and updating the guidance on how decisions as to whether sensitive expenditure is appropriate should be made based on information provided in the guide.

- Additional control relating to credit card cash advances included as per 4.4 of the guide were included
- The use of technology enabled solutions as opposed to travel where possible included as per 5.4 of the guideline
- Updated private travel controls to reflect 3.6 of the guide and tipping controls to reflect 5.21 and 5.22 of the guide
- Separated meals and food from travel for clarity
- Updated entertainment and hospitality expenditure to ensure persons approving this expenditure consider and apply principles of policy
- Updated policy to ensure all donations and koha to be appropriately documented as per 9.4 of the guidelines
- Added Asset Disposal Policy and Information and Communication Policy as related documents to the policy

In September 2021 following their interim audit, Audit NZ identified that the OAG had updated their good practice guidelines for sensitive expenditure policies and to align with this guideline made a number of recommendations. Written responses to these recommendations were provided to Audit NZ to confirm that the current sensitive expenditure policy had been reviewed and updated, and their recommended improvements were already being implemented through other controls currently in place and therefore not explicitly detailed within the policy. No clarification of our responses to these interim findings were sought by Audit NZ and the findings and recommendations regarding the control of sensitive expenditure contained in the interim report were replicated in the final end of year report.

When developing and reviewing the Sensitive Expenditure Policy all controls the Council has in place that directly or indirectly manage how we manage sensitive expenditure were considered and the policy was updated to ensure the principles detailed in the OAG guidance where applied and any identified gaps were rectified.

CONCLUSION

The Council has had a sensitive expenditure policy in place since it was adopted in June 2011 in response to the end of year report for the year ended 30 June 2010 recommendation that the Council develop a Sensitive Expenditure Policy. Internal reviews of sensitive expenditure began in 2012 and completed every 6 months as agreed with Audit NZ.

Since its adoption the policy has been reviewed and updated regularly to ensure it remains fit for purpose and is consistent with guidance material provided by the OAG.

The current policy was reviewed in March 2021 against the Office of the Auditor General (OAG) publication, Controlling sensitive expenditure: Guide for public organisations October 2020 and the results of the internal audits over the previous 3 years. When reviewing the policy against the OAG guideline all current policies and procedures the Council has in place that sensitive expenditure must comply with were considered. Where no relevant policy or procedures addressed and recommendation in the OAG guidance, the sensitive expenditure policy was updated as needed.

The sensitive expenditure policy is very much part of framework of a number of policies and procedures that govern how procurement is managed within the Council and while it may have some unique elements that need to be considered separately, sensitive expenditure must comply with all the policies identified as related documents, and all financial controls and procedures.

The Council had updated its sensitive expenditure policy in March 2021 which considered and incorporated where needed the latest good practice guidelines from the Office of the Auditor General. This update was not acknowledged in the 2020 – 2021 end of year report by Audit NZ and resulted in recommendation 5.5 with a priority of beneficial.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives this information.

ATTACHMENTS

1. Responses to Audi NZ Recommended Improvements to Sensitive Expenditure Policy

4.3 OAG OBSERVATIONS ON LOCAL GOVERNMENT RISK MANAGEMENT PRACTICES

Author: Jamie Dale, Risk Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To inform the Committee of the Office of the Auditor General October 2021 report titled, *Our observations on local government risk management practices* (attached)

DISCUSSION

In October 2021, the AOG released a report detailing its observations of local government risk practices based on its observations on how Auckland Council, Waipā District Council, Environment Canterbury Regional Council, and Queenstown-Lakes District Council manage risk.

The report is attached for the Committee's consideration and the following is a summary of how the Taupo District Council's risk management practices compare to what the OAG observed and expects to see in councils.

Appropriate policies and processes the OAG expects to see:

The OAG expects to see councils having a risk management policy tailored to the Council's needs, appropriate processes, and procedures to identify, analyse, and evaluate risks with allocated responsibility for the overall leadership of risk management within the organisation. Within this framework it is expected that there is some way of distinguishing between strategic, operational and project risks with project risks being captured on an ongoing basis and strategic risks on an annual basis through workshops with senior leadership and elected representatives.

We currently have the Risk Management Charter that to date has met our needs and sets our goals and objectives for risk management within the Taupo District Council and details the responsibilities for risk management within the Council. Apart from the charter, we do not have any documented processes and procedures for the identification, analysing and evaluation of risks. How this is undertaken is left up to the Executive and Enterprise Managers to determine for their own teams. Currently strategic risks are determined by the Executive Management team in conjunction with the Committee and operational and project risks are determined by Enterprise Leaders and project managers.

Project risks are considered at the project planning stage but are not captured on an ongoing basis. Strategic risks have not historically been reviewed annually but we have updated our approach to this, and this will be occurring from now on through workshops with the Council's senior leadership and elected representatives.

Identification of Risks

Auckland Council was identified as having best practice and uses a variety of tools and approaches to identify risks that include risk appetite statements, brainstorming sessions, structured techniques such as SWOT analysis, bowtie analysis and process mapping. This is supported by annual strategic, council planning, budget, and risk identification workshops, regular compliance reviews, assignment of ownership and accountability for top risks, divisional and departmental risk registers, quarterly reassessments of top and emerging risks and independent reviews of the council's actual risk maturity compared with its desired level of maturity.

The current risk charter details the Council's risk appetite, and the tolerance levels are set in the current risk assessment matrix. We do use fault-tree/bowtie analysis to assess strategic risks as well as undertake compliance reviews and regular reporting on a range of risk matters.

There are some potential gaps between best this best practice and the Council's current practices. Currently divisional and departmental risk registers are not in place and the Council does not know what level of risk maturity it desires and has not undertaken independent reviews of the council's actual risk maturity compared with its desired level of maturity. Across BOPLASS this matter has been raised already and our insurance brokers are work on developing a system that will assist councils to complete such an assessment to meet the increasing needs of our insurers.

Managing Risks

The OAG identified that council staff and elected members need to understand the importance of managing risk and have a strong and sustained commitment to effective risk management.

The Council currently expresses this commitment by:

- Setting the tone from the top and expressing a commitment to risk management within the current Risk Management Charter
- Elevating responsibility for enabling and encouraging good risk management practices to the Chief Executive and Executive Team

Areas where improvements can be made are:

- Integrating risk management throughout the council consistently – particularly in its setting of strategic priorities and decision-making processes
- Ensuring that it is appropriately resourced with staff who are adequately trained and experienced in risk management
- Ensuring that elected members have a shared understanding of their roles and responsibilities in risk management
- Ensuring that for internal audit functions, the internal auditor should not also be responsible for risk management decisions

Integration of Risk Management into Council Activities

The OAG identified that effective risk management is not just about the systems and processes in place (the “architecture”) – it is also about how staff implement it in their day-to-day work. Successful risk management would include:

- Risk roles and responsibilities are well understood
- Staff know how and when to discuss risk with management based on good process and a supportive environment
- There are few surprises; risk reporting provides early warning.
- The Council’s objectives and outcomes are met and the Council’s reputation and image are protected.
- Risk management within the Council is continuously reviewed and improved
- Internal and external stakeholders are confident that the Council manages risk within acceptable levels
- Risk management occurs throughout the development and implementation of any business plan, policy, programme, or project.
- All Groups speak the same risk language and respond to risk in a consistent way

Currently outside of workplace health and safety, risk roles and how and when to discuss risk management is not widely understood throughout the Council with differing levels of knowledge and risk maturity. Risk management throughout the implementation of business plans, policies, programs or projects is not being applied consistently. Where it is being applied, it is generally at a lower level and is less than what the OAG expects to see.

Risk Aware Versus Risk Averse

Risk management practices are not usually designed to eliminate all of an organisation’s exposure to risk.

Councils can have a risk averse culture across both elected members and staff, which reflects a conservative risk appetite. Because of councils’ obligations to be financially prudent and accountable to their communities, this is not surprising.

Risk management is not just about avoiding or reducing the impact of bad outcomes, it is also about supporting an organisation to succeed. Not looking for or not taking opportunities when they arise also has risks. There is a difference between being “risk aware” and “risk averse”. Using reliable information to balance risk and return is part of good risk management.

The OAG identified that with the appropriate training and support, Risk and Assurance Committees can help councils by:

- Reviewing the effectiveness of a council's risk management framework, policies, processes, and controls, which provides assurance to elected members that there are effective internal controls to manage risks and that the risk management framework is fit for purpose and used effectively
- Providing assurance that a council's strategies are achieving their intended objectives
- Helping elected members test and challenge new ideas and business-as-usual operations so that the council improves and meets its objectives
- Providing an opportunity for the chief executive or other senior managers to test ideas in a constructive forum

Currently these functions are not specifically detailed the committee's current Terms of Reference but could be considered for inclusion in the terms of reference for any Risk and Assurance Committee post 2022 elections.

Improving Elected Member Confidence in Risk Management

The report identified that identification, understanding, and management of risk is a core part of the role of elected members. Elected members need to be able to make informed decisions about how to deliver their council's objectives that have been set in consultation with their community. They also need to understand the implications of these decisions and understand the risks associated with progressing a proposed course of action and how their council is currently managing or proposing to manage these risks.

Elected members need to be able to test the information they receive from council staff and make well-informed decisions. To do so effectively, requires good communication between elected members and management to set risk management expectations, including roles and responsibilities and the council's risk appetite and risk tolerance levels

To ensure that these occur elected members should:

- Establish a tone at the top that promotes a risk-aware culture and set the council's risk policy and approach
- Be informed about risks and the measures that management is taking to manage significant risks
- Ensure that the council has appropriate processes for identifying, assessing, and responding to risks in keeping with its risk approach and that these processes are operating effectively

To ensure this happens, the Council's current Risk Management Charter establishes the risk management culture tone and sets the Council's risk policy and approach to risk. This is supported with regular risk reporting to the Risk and Assurance Committee on strategic risks. The responsibility for identifying, assessing, and responding to risks in keeping with its risk approach and ensuring that these processes are operating effectively is delegated to the CEO and the Executive team in the Charter.

The Failure of Important Relationships is a Strategic Risk

It was identified by the OAG that Councils depend on successful relationships to achieve their strategic objectives including relationships with neighbouring councils, central government, mana whenua, and their council-controlled organisations. This has been recognised by the Council and relationship failures with the community are considered a contributing factor to the strategic risk of Ineffective Relationships with the Community.

Aspects of Risk Management That Councils Need to Improve

Throughout the report, the OAG have identified key areas that councils should focus on to improve their risk management practices. These are listed below with how our current practices address these.

AOG Areas for Improvement Identified	TDC Current Risk Practices
Someone in the council being responsible for enabling and driving good risk management practices throughout the organisation	Currently identified as the CEO and Executive in Risk Management Charter
Assessing the level of risk management maturity, they currently have and the level they desire	To be determined how this should be assessed. Our insurers are developing a model for this and should be considered when this work is completed.

Formally documenting the risk management practices they expect staff and elected members to apply	Currently there are no documented procedures to supplement the Risk Management Charter that specifies in detail how to implement the risk management practices detailed in the charter. How the Charter is implemented is left up to the relevant executive and enterprise leaders.
Integrating risk management into all council activities, particularly strategy-setting and decision-making, with a particular focus on embedding the coverage of risk in reports to elected members	How risk management is integrated into all Council's activities is not documented. Developing formalised processes identifying how this needs to occur could be useful.
Improving the training and support provided to staff and elected members on their risk management roles and responsibilities	Training outside the standard post-election induction and training has not been undertaken in a structured manner. Investigation into formalised training from external specialists should be considered for committee members.
Ensuring that their audit and risk committee is clear about its role in gaining assurance over the management of risk	Covered by the Terms of Reference for the committee and post-election inductions
Regularly reviewing risk management activity to inform progress and areas of improvement	Recently we have introduced review and reporting templates for strategic risks that cover these points for these risks.
Making greater use of quantitative risk analysis or assessments to support relevant decision-making.	There are challenges around the use of quantitative analysis for many of the Council's risks. As the majority of the Council's work involves the delivery of services to its ratepayers it is difficult and time consuming to get meaningful data. Quantitative analysis is more useful on narrow focussed tasks such as project management. See summary below

Qualitative Risk Analysis

- Subjective evaluation of probability and impact
- Focused at risk-level
- Broader use across all identified risks
- Less time-consuming and straightforward
- No investment for specialised S/W is necessary
- Does not require significant amount of data
- Does not utilise cost benefit analysis to finalise risk
- Requires a certain level of work which is based on the security assessor's expertise and previous experience in order to arrive at risk ratings.

Quantitative Risk Analysis

- Probabilistic and objective estimation of time, cost,
- Focused at task/project-level
- Limited use, dependent on type of project, risk type, and data availability.
- Time-consuming and potential cost associated
- Requires significant amount of data
- Utilises cost benefit analysis to finalise risk
- Requires meticulous work which is based on the security assessor's expertise and previous experience in order to provide an accurate depiction of risks in terms of value

CONCLUSION

The Office of the Auditor General's Observations on Local Government Risk Management Practices provides some useful information and guidance on what good local government risk management practices should include and the role Audit and Risk committees can play in ensuring appropriate risk management practices are employed to identify and manage risks.

Comparing our current risk management practices against the OAG's observations has identified some areas that could be seen as providing opportunities for improvement to strengthen our current risk management practices. As part of our ongoing continuous improvement, we will be reviewing our current practices to see where and how improvements can be made and plan a programme to Implement these.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives this report and the Office of the Auditor General's document titled, Our Observations on Local Government Risk Management Practices - October 2021

ATTACHMENTS

1. OAG Observations on Local Government Risk Management Practices October 2021

4.4 BOPLASS INSURANCE RENEWAL MEETING

Author: Jamie Dale, Risk Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To inform the Committee of the contents of the last BOPLASS insurance renewal meeting and the AON's presentation to the group.

DISCUSSION

The BOPLASS insurance group met online to receive updates on what we expect to see in this year's insurance renewal programme. This forum included a market update from AON with a power-point presentation, discussion on cyber security insurance for local government, discussion on valuations and asset selection, an offer of help from AON to help Councils with the OAG recommendations and general business discussion.

The key takeaways from this update are

- Natural disasters and cyber security are the focus of insurer underwriters.
- Professional indemnity continues to be of concern.
- Due to the continuing impact of disasters around the world, insurer underwriters' processes have become more rigorous, and data driven.
- Underwriting is moving from an intuition-led environment to a data-driven occupation. Consequently, high quality data has become extremely important as underwriters look to place their capacity into good risks
- Due to the severity and frequency of cyber claims, cyber security is rapidly becoming a high-risk category and some organisations will struggle to find suitable insurance. A number of insurers are refusing cover. The Taupo District Council is not one of these, and should be able secure insurance cover at the next renewal.
- Valuations for assets need to reflect true value not depreciated value and factor in inflationary and supply chain issues we may face and it is important that the information provided is accurate.
- Asset registers or insurance schedules submitted should reflect what the Council wishes to insure, no more and no less.

RECOMMENDATION(S)

That the Risk & Assurance Committee the minutes of the March 2022 BOPLASS insurance renewal meeting and AON's BOP LASS Q1 Risk & Insurance presentation

ATTACHMENTS

1. BOPLASS Q1 Risk & Insurance presentation
2. BOPLASS Insurance Renewal Meeting Minutes

4.5 BOPLASS INSURANCE CYBER SECURITY MEETING

Author: Jamie Dale, Risk Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To inform the Committee of the content of the recent BOPLASS insurance cyber security meeting and AON's presentation on cyber security.

DISCUSSION

BOPLASS IT group members and insurance group members met online to receive updates on the current state of cyber insurance within the local government market in New Zealand. AON ran a presentation detailing the current state of play within the cyber insurance market and the expectations for cyber insurance renewals for 2022.

Key points from this meeting are as follows:

- The availability of cyber insurance in the local (NZ) market is limited and insurers are focussed on minimum security controls which is emphasised for government/public entities. The minimum controls insurers expect to see include
 - Multifactor Authentication (MFA)
 - Endpoint Detection and Response (EDR)
 - Security & Privacy Training/Education for IT staff
 - Legacy Systems/End of Life Systems identification and control
 - Patch Management
 - Business Continuity and Incident Response Plans
- The cyber insurance market experiencing significant price increases, i.e. Increase of 1500% from 2012 to 2020 with insurers also now implementing higher deductibles to combat losses and promote better control practices.

Minutes of this meeting and a copy of the AON presentation are attached for committee members information.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the minutes of the BOPLASS cyber security meeting and the AON BOPLAS Cyber Discussion presentation

ATTACHMENTS

1. BOPLASS Insurance Cyber Security Meeting minutes
2. AON BOPLASS Cyber Discussion presentation

4.6 UPDATE ON THE 2022 LOCAL GOVERNMENT ELECTIONS AND DISCUSSION ON COMMITTEE STRUCTURE AND TERMS OF REFERENCE

Author: Shainey James, Governance Quality Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To receive an update on this year's local government elections and to discuss the Risk & Assurance Committee's current Terms of Reference with a view to capturing any suggestions for change following the elections.

DISCUSSION

Earlier this year, the Local Government Commission confirmed Taupō District Council's representation arrangements for the elections to be held on 8 October 2022. The Council will comprise the Mayor and 12 councillors elected via wards as follows:

- Two councillors elected by the electors of the Te Papamārearea Māori Ward;
- One councillor elected by the electors of Mangakino-Pouakani General Ward;
- One councillor elected by the electors of Taupō East Rural Ward;
- Seven councillors elected by the electors of Taupō General Ward; and
- One councillor elected by the electors of Tūrangi-Tongariro General Ward.

Nominations for these election issues will open on Friday 15 July and close at noon on Friday 12 August 2022. The elections will be conducted by postal vote between Friday 16 September and noon on Saturday 8 October 2022.

All current committees are deemed to be discharged at the end of the current Triennium, unless the local authority resolves otherwise (clause 30, Schedule 7, Local Government Act 2002 "LGA"). Following the elections, the Mayor has the power to establish committees (s 41A, LGA) and in practice, this is usually done via recommendation to a full Council meeting. The Risk & Assurance Committee may wish to make recommendations for improvements to the current structure, including Terms of Reference, and / or to confirm what is working well. The Committee's Terms of Reference are **attached** as a starting point for discussion. Any comments will be captured by staff, collated and provided to the new group of Elected Members for consideration following the elections.

CONCLUSION

It is recommended that the Committee receives the update about the elections and has a discussion about Terms of Reference, including any suggestions for improvement which could be noted and provided to the incoming Council following the 8 October 2022 elections.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the update on the 2022 elections.

ATTACHMENTS

1. Risk & Assurance Committee Terms of Reference 2019-2022

4.7 TAUPO DISTRICT COUNCIL WAKA KOTAHI PROCEDURAL AUDIT REPORT

Author: Claire Sharland, Asset Manager Transportation

Authorised by: Denis Lewis, Infrastructure Manager

PURPOSE

To provide an update on procedural audit report for activities funded through the National Land Transport Programme.

DISCUSSION

An investment procedural audit was undertaken by Waka Kotahi in February 2022 which is to provide assurance to Waka Kotahi that the investment in Council's land transport programme is well managed and delivering value for money.

Subject areas the audit covered were as below along with the council response. For full commentary on the subject areas below, please refer to the report attached.

Subject Areas	Rating Assessment
Previous Audit issues	Some improvement needed
Financial Processes	Significant improvement needed
Procurement Procedures	Some improvement needed
Contract Management	Some improvement needed
Professional Services	Effective
Overall Rating	Some improvement needed

The one significant improvement required above was around the end of year processes for ensuring the Job Ledger and General Ledger are reconciled on a regular basis and provides Waka Kotahi with reconciliation documentation to support our final claim for 2021/22. This should be resolved now we have since moved onto a new accounting system which uses a work system, and we will ensure that works & GL systems reconcile.

All other improvements identified have either been resolved or will be included into our work programmes.

CONCLUSION

In summary there were no major risks identified by the audit and the recommendations identified will be addressed through our work processes. As an outcome of the previous audit issues, we will be developing a register to ensure all the recommendations and action dates are addressed monitored.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the final procedural audit report dated 15 March 2022
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ATTACHMENTS

1. Investment Audit Report - Procedural audit of Taupo District Council

4.8 IANZ RECOGNISED VERIFICATION AGENCY REAPPROVAL AUDIT

Author: Bryan Brett, Environmental Health Team Leader

Authorised by: Jessica Sparks, Environmental Services Manager

PURPOSE

To update the Risk and Assurance Committee on the outcome of the Recognised Food Verification Agency audit undertaken by IANZ on the 25th of May 2022. This audit was to reapprove Taupo District Council to undertake verifications under the Food Act 2014 for a further three years.

DISCUSSION

Taupo District Council was originally recognised in 2019 under the Food Act 2014 to undertake verifications of food business in our district and beyond. This recognition requires a Quality Management System (QMS) to be implemented to provide the consistency expected of a recognised agency.

This audit by IANZ was the first full agency reapproval audit since our original recognition. This recognition allows TDC verifiers to undertake cost effective verifications for the full range of food businesses and provides an important framework for the development of verifiers at TDC.

Key comments from the report include:

- Taupo District Council (TDC) demonstrated good ownership and responsibility for its operations
- The agency had a well developed and implemented QMS
- TDC were seen to be committed to providing competent and consistent services.
- 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

General Findings

The audit found all areas of the QMS were being well implemented. This audit considered factors such as resourcing, management of workloads, overdue work, internal management, performance reviews, management of contractors, reporting and record keeping, enforcement and Registration Authority functions among others.

No non-conformances were identified during this audit which we were assured by the auditor is an uncommon occurrence across all Recognised Agencies in New Zealand.

The audit made 6 recommendations for minor areas of improvement. These can be easily adopted into our existing processes and will provide a useful means of improving our processes going forward.

CONCLUSION

The IANZ reapproval audit was very favourable and demonstrated a considerable improvement on prior audits. Processes are being well implemented and workloads are being well managed. It is clear that TDC is performing very favourably against other Recognised Agencies in New Zealand. The audit resulted in IANZ recommending Taupo District Council retain its recognised verification agency status with the Ministry for Primary Industries.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the outcome of the IANZ MPI Recognised Agency Assessment Report 2022

ATTACHMENTS

1. IANZ MPI Recognised Agency Assessment Report 2022

4.9 STRATEGIC RISK UPDATE JUNE 2022

Author: Jamie Dale, Risk Manager

Authorised by: Nigel McAdie, Legal, Risk and Governance Manager

PURPOSE

To update the Committee on the status of the current Strategic Risk Register risks.

DISCUSSION

This report on the strategic risks builds on the reporting template presented to the Committee at its March meeting. The update report is intended to improve our understanding of these risks and help achieve one of the key indicators of successful risk management being that there are few surprises; risk reporting provides early warning.

An essential part of ensuring there are no surprises, is ensuring that the controls used to manage risks are in place and being applied consistently. For this report we have looked how controls are being implemented and if not fully implemented, what plans are in place to implement them. This report did identify some controls that are not fully implemented and with no improvement plans and these will require more in-depth analysis to understand the impact on the strategic risk they relate to.

The Strategic Risk Summary looks at the current key risk drivers, their impact, and controls currently employed or planned and this information is included in the Risk Heat Map. In this summary there has been some increases in the likelihood across some risks areas and are noted on the Strategic Risk Summary.

Moving forward we will be looking at if and how the effectiveness of these controls can be measured to improve our understanding of our current risks and allow us to ensure they are being managed appropriately.

CONCLUSION

Most of the risk controls identified for managing the strategic risks are either fully implemented or partially implemented with plans for full implementation. A minority of controls have not been fully implemented with no current plans for full implementation and we will be looking at these controls to determine their relevance and criticality for the treatment of risks and whether their implementation or lack of has a significant effect on the risk.

The risk summary identifies some increases in likelihood relating to the current environment the Council is working in and its effects on staffing, ICT, legal compliance, financial management, and health and safety. Most are related to external influences and the Council's options for reducing the risk largely sit within mitigation of the impact rather than minimising the likelihood.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the Strategic Risk Report for June 2022

ATTACHMENTS

1. Strategic Risk Report June 2022

4.10 2022 IANZ SPECIAL AUDIT - BCA

Author: Jessica Sparks, Environmental Services Manager

Authorised by: John Ridd, General Manager Policy and Strategy

PURPOSE

To update the Risk & Assurance Committee on the outcome of the remote accreditation special assessment of the BCA functions undertaken in May 2022 by IANZ.

DISCUSSION

Taupō District Council, as required by the Building Act, is a Building Consent Authority (BCA), which has a requirement to issue building consents and undertake building inspections. This is a critical area for Council as it ensures building work can proceed in a safe and efficient manner and provides confidence to the public that buildings they live and work in meet a high standard.

To maintain our role as a BCA, the Ministry of Business Innovation and Employment (MBIE) contract IANZ to undertake comprehensive audits of all BCA's every two years, or more often if serious issues are discovered.

In late May 2022, the BCA was audited remotely by IANZ. Usually, a routine reassessment is conducted every two years, however due to the amount of serious non-compliances in 2021, a special assessment was required this year. IANZ auditors (Lead Assessor: Lesley Chen, Technical Expert: John Hudson) undertook the audit, and the results are attached to this agenda.

The changes to process implemented because of the March 2021 audit has substantially improved our performance. There are, however, some outstanding issues, and the outstanding non-compliances must be addressed for accreditation to continue.

In total the results of the audit TDC received 6 general non-compliances, 2 of which were resolved while the audit was taking place.

Assessment findings:

	This assessment:	Last assessment:
Total # of "serious" non-compliances:	0	8
Total # of "general" non-compliances:	6	18
Total # of non-compliances outstanding:	4	23
Recommendations:	6	9
Advisory notes:	0	4

We are required to now provide an action plan for addressing the 4 non-compliances by 1 July 2022, and then have them cleared by 26 August 2022 by IANZ. These are minor non-compliances and will be resolved in the time frame.

The BCA's risk, both to the Territorial Authority, as a BCA and as an organisation accredited by IANZ was assessed. The BCA was considered to pose a **Low Risk**. The risk assessment is detailed in the attached report.

CONCLUSION

The Special Assessment Report has indicated that we have met the requirements and significantly improved on the 2021 assessment. The 4 outstanding non-compliances are minor and will be able to be resolved easily within the time frame set out.

Our next assessment of the BCA is planned as a **Routine Reassessment** for **March 2023**.

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the IANZ Initial Special Assessment Report dated 30 May – 2 June 2022.

ATTACHMENTS

1. IANZ Assessment May 2022

4.11 PROJECT QUANTUM UPDATE

Author: Tracey May, Digital Transformation Manager
Authorised by: Andrew Peckham, General Manager Corporate

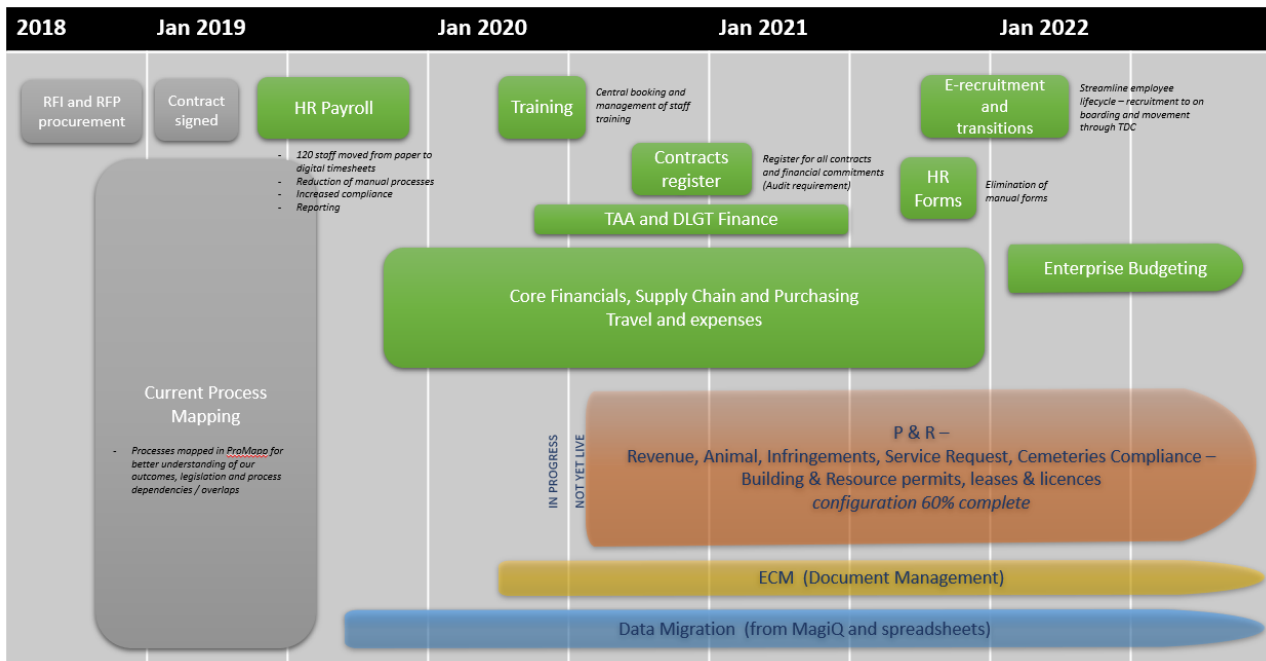
PURPOSE

To receive an update on the Enterprise Resource Planning (ERP) replacement project (Project Quantum).

DISCUSSION

There are no decisions being sought at this stage, the following update is provided for your information.

After many years of effort and several modules going live or about to - the project is making visible strides forwards and beginning to realise the benefits through what has been delivered to date.



We have also recognised that since the start of the project 3 years ago, our organisation has evolved through the impacts of Covid-19, resourcing issues, and realignments, along with numerous learnings throughout the project journey to date. We have taken the opportunity to relook at the way we work and what is required to deliver the next phase being the Property and Revenue (P&R) module roll out.

The key considerations in the replanning were:

- **Cultural**
 - Fatigue across the project team and organisation with such a large change project and the challenge to balance the project with other projects and BAU commitments.
 - Ongoing challenges with change management as business ownership and benefit realisation has been slower than anticipated.

- **Technical**
 - Product Readiness

The P&R module is the least mature of the new Technology One CiAnywhere modules and the amount of implementation configuration required was significantly underestimated by both Technology One and TDC. Concessions/compensation have been made by Technology One throughout to offset some of the increased costs to TDC, but has caused delays in the product readiness. Since first seeing the P&R module in its very early state 3 years ago, the product development has gained momentum and we are now seeing these improvements being delivered closing the gap on functionality requirements we had.

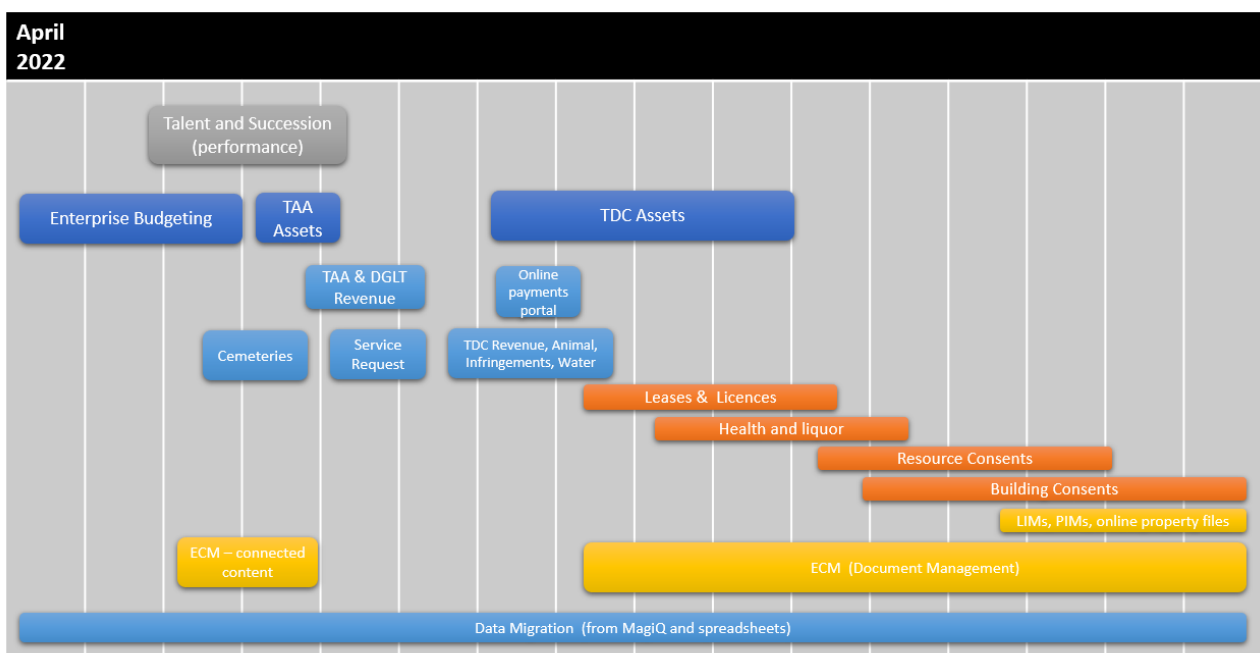
- o Data Migration challenges

Moving from unstructured data in the legacy system (MagiQ) to a modern database platform that is driven by business rules and data quality outcomes has been a much larger task than anticipated. The data in MagiQ is requiring a lot of analysis to determine data cleansing, deduplication, and error correction to ensure a better-quality result.

From the 1 July 2022 the project will now move to a continuous improvement, agile based delivery mode with focus on smaller module-based delivery allowing the project to adjust to any organisational, legislative or project challenges and allow benefits to be realised sooner in each area.

Staying within the original scope, each module roll out will be a minimum viable product (MVP), replacing what we do now in the legacy system MagiQ and multiple spreadsheets, whilst identifying continuous improvements that can be made going forward and allow sufficient time to bed in the system with the business owners and stakeholders. Roll outs will not be done until criteria is met around quality, user experience and functionality.

The indicative roll out plan per MVP module is as follows:



The governance of the project will also change to include the key business owners for each module. This will enable more business ownership and assist with change management activities across the affected stakeholders and teams.

CONCLUSION

We believe it is the right time to make this change and the new approach will provide the project and team with greater flexibility and support to move forward, focusing on quality outcomes as opposed to timeline.

ATTACHMENTS

Nil

RECOMMENDATION(S)

That the Risk & Assurance Committee receives the project update.

ATTACHMENTS

Nil

5 CONFIDENTIAL BUSINESS

RESOLUTION TO EXCLUDE THE PUBLIC

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 5.1 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