

ATTACHMENTS

Risk & Assurance Committee Meeting

21 June 2022

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8 March 2022

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE RISK & ASSURANCE COMMITTEE MEETING
HELD ONLINE VIA 'ZOOM' AND LIVESTREAMED TO WWW.TAUPO.GOV.NZ
ON TUESDAY, 8 MARCH 2022 AT 10.00AM**

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

IN ATTENDANCE: Cr John Boddy

Chief Executive, General Manager Corporate, General Manager Policy and Strategy, Technical Support Analyst, Finance Manager, District Aquatics Manager, Events and Venues Manager, Risk Manager, Legal, Risk and Governance Manager, Governance Quality Manager, Executive Assistant

Mr Leon Pieterse, Director, Audit New Zealand (via Zoom video call, from 10.45am, for Item 4.3)

MEDIA AND PUBLIC: Nil

1 APOLOGIES

Nil

2 CONFLICTS OF INTEREST

Nil

Note: The items were dealt with in the following order: 1, 2, 3.1, 4.1, 4.2, 4.5, 4.6, 4.4, 4.3

3 CONFIRMATION OF MINUTES

3.1 RISK & ASSURANCE COMMITTEE MEETING - 9 DECEMBER 2021

RACC202203/01 RESOLUTION

Moved: Mr Danny Loughlin

Seconded: Cr Kathy Guy

That the minutes of the Risk & Assurance Committee meeting held on Thursday 9 December 2021 be confirmed as a true and correct record.

CARRIED

4 REPORTS

4.1 POOLSFAE AUDIT - TAUPŌ AND TŪRANGI POOL COMPLEXES

The District Aquatics Manager shared the Poolsafe Accreditation Audit Report with the committee, the following key points were noted:

- In answer to a member's question on the Pool Lifeguard Practising Certificate (PLCP) and Pool Lifeguard Skills Award (PLSA) qualifications, the District Aquatics Manager explained that Poolsafe requires all lifeguards to participate in relevant training every three months, and lifeguards that do not hold a full qualification are prohibited to be rostered shift without being shadowed by a fully qualified lifeguard.
- In answer to a member's question on lifeguard knowledge of technical terms and names of

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procedures within the pool complexes, the District Aquatics Manager explained that lifeguards are aware of all physical action steps required in situations, and all team leaders are required to have extensive knowledge of technical terms and names of procedures in potential situations.

RACC202203/02 RESOLUTION

Moved: Cr Christine Rankin

Seconded: Cr John Mack

That the Risk & Assurance Committee receives the PoolSafe Accreditation Audit Report for the Taupō and Tūrangi Pool Complexes dated February 2022.

CARRIED**4.2 REVIEW OF SENSITIVE EXPENDITURE POLICY**

The Risk Manager provided an outline of the Sensitive Expenditure Report for the period 01 July 2021 to 31 December 2021, the following key points were noted:

- Incidents of expenditure for Meals/Food and Refreshments, and Entertainment and Hospitality is predominantly related to insufficient details on purchase orders.
- A uniform policy is being produced to ensure transparency around clothing purchases.
- In answer to a member's question on reasons for the identified purchasing incidents, the Risk Manager explained the identified issues are not repeat incidents, and that guidance will be provided to system users around this policy and ensuring that correct details are supplied on all purchase orders to maintain transparency.
- In answer to a member's question, the Risk Manager explained that the identified issues are mainly caused through the purchase order system, not by Council credit card holders.

The Risk Manager concluded by summarising the recommendations arising from the review. No issues with any of the recommendations were raised.

RACC202203/03 RESOLUTION

Moved: Mr Danny Loughlin

Seconded: Cr Anna Park

That the Risk & Assurance Committee receives the information in the Sensitive Expenditure Report for the period 01 July 2021 to 31 December 2021.

CARRIED**4.3 AUDIT NEW ZEALAND REPORT ON THE AUDIT OF TAUPŌ DISTRICT COUNCIL FOR THE YEAR ENDED 30 JUNE 2021**

Mr Leon Pieterse, Director, Audit New Zealand was in attendance via Zoom. Committee members worked through the Audit New Zealand report page by page and Mr Pieterse and staff answered questions. The following key points were noted:

- The documentation and finalisation of work requests by Asset Engineers in the AssetFinda system is a performance finalisation matter rather than requiring system change.
- Regular annual leave reports are being provided to managers to advise them of their staff members with excessive amounts of accrued annual leave. Managers are advised to make plans with those staff members around using that excessive leave.
- The matter of maintenance of the register of conflicts of interests raised in the audit report was a reminder of the need to update the register on a regular basis, and ensure that senior managers and

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Elected Members advise changes to their interests as they arise.

- Council Controlled Organisations' Annual Reports were available online.
- The miscalculation identified related to a huge number of 'three waters' assets. It was not considered to be material.
- In answer to a member's question around procurement, the Procurement Policy included a 15% local attribute to ensure local businesses were used where possible. In relation to procuring goods and services from local Māori businesses, the General Manager Corporate explained that the exact percentage currently procured was not known, but expected to be over 5%.
- In answer to a member's question, the General Manager Corporate confirmed that the review of Payroll Master File process is going to be settled through Project Quantum once finalised.
- In answer to a member's question around the testing of Council's business continuity plans throughout various departments, the Risk Manager advised that plans are in place, although they are due for further testing within those departments.
- The General Manager Corporate explained Service request work orders matter will be resolved through Project Quantum.
- The General Manager Corporate explained that improvements are being made to match projects to the benefits and the strategy of the organisation, and further discussion is to be had with Audit New Zealand on further improvements.
- Mr Leon Pieterse explained Audit New Zealand are recommending a roading asset revaluation in 2021 in order to complete the matter of completeness of valuations.
- The Finance Manager explained that through the CiAnywhere system, all journals are independently reviewed before they are posted.
- The General Manager Corporate confirmed that through Project Quantum, the matter of centralised contracts register will be resolved.

RACC202203/04 RESOLUTION

Moved: Mr Danny Loughlin

Seconded: Cr Anna Park

That the Risk & Assurance Committee receives the report on the final audit of Taupō District Council for the year ended 30 June 2021

CARRIED**4.4 PROPOSED RISK AND ASSURANCE WORKPLAN FOR 2022**

The Risk Manager summarised the Proposed Risk and Assurance Workplan for 2022. The following key points were noted:

- The Risk Manager noted that the Asset Disposal Policy and Insurance Strategy are currently being finalised and were due to be presented to the committee in June 2022.
- In answer to a member's question on the status of the Sensitive Expenditure Policy, the Risk Manager explained that the policy was reviewed in 2021, which resulted in significant amendments based on the report from Audit New Zealand.

RACC202203/05 RESOLUTION

Moved: Mr Danny Loughlin

Seconded: Cr Christine Rankin

That the Risk & Assurance Committee receives the proposed Risk and Assurance workplan for 2022.

CARRIED

Risk & Assurance Committee Meeting Minutes

8 March 2022

4.5 2022 STRATEGIC RISK REGISTER

The Risk Manager summarised the Risk Register February 2022, noting several risk scores were revisited to reflect appropriate risk levels (A3089463).

In answer to members' suggestions, the Risk Manager advised that an update on 2022 Strategic Risk Register will be provided to the Committee at each meeting. 'Bow-tie' graphs could be provided on request.

RACC202203/06 RESOLUTION

Moved: Cr Kathy Guy

Seconded: Cr Christine Rankin

That the Risk & Assurance Committee receives Strategic Risk Register February 2022 (A3089463).

CARRIED**4.6 STRATEGIC RISK REGISTER REPORT MARCH 2022**

The Risk Manager provided an update on the current the Strategic Risk Register Report 2022. The following key points were noted:

- The Risk Manager explained that the Failure to Attract and Retain Competent Workforce Strategic Risk is a high risk due to the likelihood and consequences of the risk. The General Manager Corporate explained that whilst the Failure to Attract and Retain Competent Workforce Strategic Risk is high, the current work force is delivering well to service level requirements.
- In answer to a member's question around carbon credits, the General Manager Corporate explained that Council's Treasury Management Policy requires Council to progressively purchase carbon credits throughout the financial year. Credits had already been purchased for the 2021-2022 financial year.
- In answer to a member's question around what Council can do to reduce the need for carbon credits, the General Manager Corporate explained that Council is currently working on a policy in relation to climate change. Part of the Climate Change policy will outline options for reducing Council's carbon footprint and output results in a reduction of carbon credits that Council requires each year. The General Manager Corporate explained that there are a number of capital projects regarding reducing carbon in the Long-term Plan.
- In answer to a member's question on what the highest carbon emitters are currently, the General Manager Corporate explained that the highest carbon outputs are from the landfill, and the wastewater treatment plant.

RACC202203/07 RESOLUTION

Moved: Cr John Williamson

Seconded: Cr Anna Park

That the Risk & Assurance Committee receives the Strategic Risk Register Report for March 2022.

CARRIED

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5 CONFIDENTIAL BUSINESS**RACC202203/08 RESOLUTION**

Moved: Cr John Williamson

Seconded: Cr Anna Park

RESOLUTION TO EXCLUDE THE PUBLIC

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

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

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

CARRIED

The meeting closed at 11.41am.

The minutes of this meeting were confirmed at the Risk & Assurance Committee Meeting held on 21 June 2022.

.....
CHAIRPERSON

Confidential Risk & Assurance Committee Meeting Minutes

8 March 2022

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE CONFIDENTIAL RISK & ASSURANCE COMMITTEE MEETING
HELD ONLINE VIA 'ZOOM'
ON TUESDAY, 8 MARCH 2022 AT 10:00AM**

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

IN ATTENDANCE: Chief Executive, General Manager Corporate, General Manager Policy and Strategy, Technical Support Analyst, Finance Manager, Risk Manager, Legal, Risk and Governance Manager, Governance Quality Manager, Executive Assistant

MEDIA AND PUBLIC: Nil

1 APOLOGIES

Nil

2 CONFLICTS OF INTEREST

Nil

3 CONFIRMATION OF MINUTES

Nil

4 REPORTS

Nil

5 CONFIDENTIAL BUSINESS

5.1 LITIGATION UPDATE

The Legal, Risk and Governance Manager summarised the report and answered questions of clarification.

RACC202203/C01 RESOLUTION

Moved: Cr John Mack

Seconded: Cr Christine Rankin

That the Risk & Assurance Committee receives the Litigation Update.

CARRIED

The meeting closed at 11.41am.

The minutes of this meeting were confirmed at the Confidential Risk & Assurance Committee Meeting held on 21 June 2022.

.....
CHAIRPERSON

Page 1

First adopted:	26 March 2019
Next review date:	March 2024
Document number:	
Sponsor/Group:	Chief Executive



ASSET DISPOSAL POLICY

1. INTRODUCTION

- 1.1 The Taupo District Council regularly disposes of capital assets and redundant or excess stock and needs to ensure that it has clearly set out processes to ensure that the disposal of unwanted resources takes place in a transparent and accountable manner.
- 1.2 Disposals need 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.

2. PURPOSE

- 2.1 The purpose of this policy is to set out the principles and processes for the disposal of Council assets to ensure that the disposal achieves value for money and is conducted in an efficient, fair and transparent manner.

3. DEFINITIONS

- 3.1 Assets; include but may not be limited to, financial assets (debtors, loans), real property, plant and equipment, furniture and fittings, collections, vehicles, intellectual property, data and information.
- 3.2 Disposal; involves includes the sale, scrapping, barter, trading or any other means of ceasing or transferring the beneficial ownership or custody of assets.
- 3.3 Write off; specifically refers to the removal of the asset from the Council asset register at nil value.

4. PRINCIPLES

- 4.1 Assets will be disposed of in the manner that ensures Council achieves the best net value for the asset.
- 4.2 Council will ensure that asset disposals are managed in accordance with its statutory and legal responsibilities and in particular any community interests as may be appropriate.
- 4.3 The disposal of assets will comply with all Council specific policies applicable to those assets
- 4.4 Disposals will be conducted in an efficient, effective, and transparent manner.
- 4.5 All asset disposals will be appropriately authorised by individuals with the appropriate delegated authority and recorded on the appropriate asset disposal form.
- 4.6 Disposal processes will ensure that assets that are sold or scrapped are removed appropriately from the asset and financial records and will facilitate appropriate stewardship of assets.

Asset Disposal Policy 2022

- 4.7 All steps of the disposal process, all actions and decisions relating to the disposal of any asset must serve this public interest and ensure that no Council staff or elected members are subjected to any potential, actual or perceived advantage over members of the public.

5. POLICY CONTENT

- 5.1 The Council expects the disposals of assets, other than write offs, to achieve the best net value for money possible.
- 5.2 Proper authorisation will be obtained from the appropriate manager working within their delegated authorities before any asset is disposed of.
- 5.3 All disposals of assets will be through an open, fair and transparent process. Wherever possible this will be achieved by open tender (e.g. Turners or Trade Me etc).
- 5.4 Every asset disposal will be fully documented on the appropriate asset disposal form, clearly identifying the asset, who authorised its disposal, whom it was disposed to and recorded in a timely and accurate manner in the fixed asset records
- 5.5 Proceeds from the sale of assets must be correctly and expediently recorded in the financial accounting systems.
- 5.6 Independent appraisals of value will be obtained for higher value assets (greater than \$10K book value) in value prior to their disposal as set out in the procedures.
- 5.7 Strategic assets can only be transferred or disposed of if provided for in the Council's Long Term Plan or through an amendment to the current Long Term Plan.
- 5.8 All decisions regarding the disposal of assets shall comply with the Taupo District Council Significance and Engagement Policy.

Asset Disposal Policy 2022

RESPONSES TO NZ AUDIT NZ RECOMMENDED IMPROVEMENTS TO SENSITIVE EXPENDITURE POLICY

Audit NZ recommendations are noted in black and response noted in italicised red text

The overall policy specifies

- the monitoring and reporting regime and, where applicable, when any internal audit checks may be applied;
(Not identified in the OAG Controlling sensitive expenditure: Guide for public organisations October 2020. However, sensitive expenditure is reviewed and reported to the Risk & Assurance Committee every 6 months as agreed with Audit NZ in 2012 and recorded on the committee's workplan)
- specifies the process for amending the policies and procedures. The policy includes that it is reviewed every three years, however no other information is given. The policy should include that amendments/updates may be made, and under what circumstances (for example due to auditor recommendations);
(Not identified in the OAG Controlling sensitive expenditure: Guide for public organisations October 2020. As with any review of a policy, reviews consider current guidance or best practice material, our experiences through internal and external monitoring of the policy over the years, and whether the policy is fit for purpose and the needs of the organisation. Also, in accordance with continual improvement principles, when any significant issue is identified, it will be addressed at the earliest opportunity as we have done in the past)

When handling claims relating to sensitive expenditure:

- states, for a group of people, that there be separate claims for each person whenever possible or, where a claim relates to more than one person (for example joint travel), it be made by the most senior person and list the other individuals to whom the expenditure relates;
(Refer to the Work Related Travel Expenses Policy and also covered by current finance procedures for reimbursements)
- states that claims and supporting documents (for example invoices) need to be in English or Te Reo Maori (or independently translated before payment)
(Both English and Māori are official languages of NZ stating claims need to be in either is stating the obvious)
- explains that, for claims that required a business case and budget before the expenditure was authorised, an explanation be provided for any expenditure incurred that is more than the agreed budget.
(Covered by financial delegations and controls in EPO systems to ensure correct authorisations are obtained. This happens without policy needing to specify this)

Regarding credit cards:

- policies and procedures set out the process for cancelling and destroying cards
(Covered by finance SOPs for managing credit cards. An operational matter and does not relate to the use of credit cards and expenditure)
- policies and procedures set out the consequences of unauthorised use, and who is responsible in the case of misuse of the card.
(Covered by Work Rules and Fraud Policy)

Regarding travel:

- policies and procedures require that at least all international travel has prior written approval *(Covered by existing policy international travel only permitted with CEO prior approval and booking of travel requires approval via the one up principle applied across all expenditure)*
- in instances where an individual does not have an entity credit card and is required to travel overseas to undertake entity business, it may be necessary to provide the individual with a cash advance. The entity's policies and procedures should allow for this. In these instances, expenditure of the cash advance should be properly documented and accounted for *(Covered by existing financial controls and procedures for cash advances as it is not just related to sensitive expenditure)*

Regarding accommodation:

- private accommodation and reimbursements are covered in the policy, however they are not well defined. These should be more specific to ensure that they are not exploited.
(Refer 2.17 of guidelines, 'if there are no specific rules for a specific situation, we expect those incurring and approving sensitive expenditure to use careful judgement by applying the principles listed in paragraph 2.4. In more high-risk matters, an organisation might want to be more prescriptive. Managers have the responsibility for ensuring no exploitation.' This is covered by our current 6 monthly reviews and potential exploitation instances identified to executive)

Regarding entertainment and hospitality expenditure:

- policies state the type of meal and cost per person that is covered
(A new policy being developed to provide more detailed guidance for these situations and will be identified as a related policy)
- policies include clear guidance about what is an acceptable level of expenditure, if any, on seasonal occasions such as a Christmas event
(Refer 2.17 of guidelines, if there are no specific rules for a specific situation, we expect those incurring and approving sensitive expenditure to use careful judgement by applying the principles listed in paragraph 2.4. In more high-risk matters, an organisation might want to be more prescriptive.' Council's Executive have the responsibility for specifying appropriate limits for such occasions to ensure that they are reasonable for the circumstances)

Regarding loyalty reward scheme benefits:

- the policy should explain that the entity needs to preserve impartiality and integrity by ensuring staff making procurement decisions do not personally receive any loyalty rewards as a result of their decisions.
(Covered by Conflicts of Interests (staff) Policy)

Staff support and well-being expenditure:

- the policy should specify that expenditure on farewells and retirements will be determined by the length of service. The policy should also state specific dollar amounts that can be given to individuals in these scenarios. This could be an amount range or a formula to determine how much will be given based on role and length of service.
(Refer 2.17 of guidelines, 'if there are no specific rules for a specific situation, we expect those incurring and approving sensitive expenditure to use careful judgement by applying the principles listed in paragraph 2.4. In more high-risk matters, an organisation might want to be more prescriptive'. Currently addressed in Long Service Recognition Guidance and is subject to approval by Executive)

Regarding the use of assets and supplies:

- the policy should identify what, if any, private use of the organisation's asset is acceptable, including the level of use and the circumstances under which costs will be recovered. Generally, costs of private use should be recovered, unless it is impractical or uneconomic to separately identify those costs;
(Refer 2.17 of guidelines, if there are no specific rules for a specific situation, we expect those incurring and approving sensitive expenditure to use careful judgement by applying the principles listed in paragraph 2.4. In more high-risk matters, an organisation might want to be more prescriptive. Currently controlled by Work Rules, Vehicle User Policy and requires management approval who monitor for conflicts, inappropriate use etc)
- the policy should state that, if the entity allows staff to purchase directly from its suppliers, it sets limits on the value and quantity of purchases and monitors staff use to avoid any risks to future procurement decisions involving that supplier;
(As the Council's policy requires the express approval of an Executive Manager adherence to the principles of the policy is ensured and limits are not considered necessary)
- the policy should specify that all assets identified for disposal to staff are valued and subject to a tender or other process that is appropriate to the value of the asset and that maximises the return to the entity
(Covered the Asset Disposal which is referenced as a related document and subject to the Conflicts of Interest (Staff) Policy)
- clearly identifies the accepted level of personal use of ICT resources and that this usage must not be unlawful, offensive, or excessive.
(Covered by IT User Policy and referenced as a related document in the policy)

Regarding Koha and gifts:

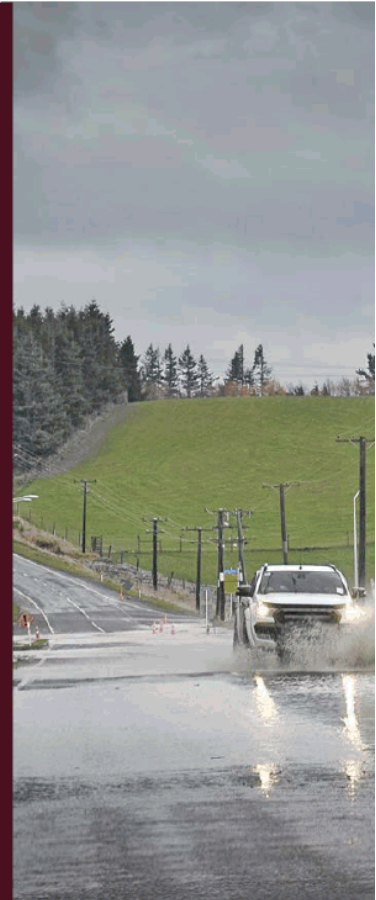
- the entity's policy should ensure that koha are approved in advance at an appropriate level of authority
(Covered by financial delegations and finance procedures that require one up approval expenditure in all cases before expenditure is incurred)

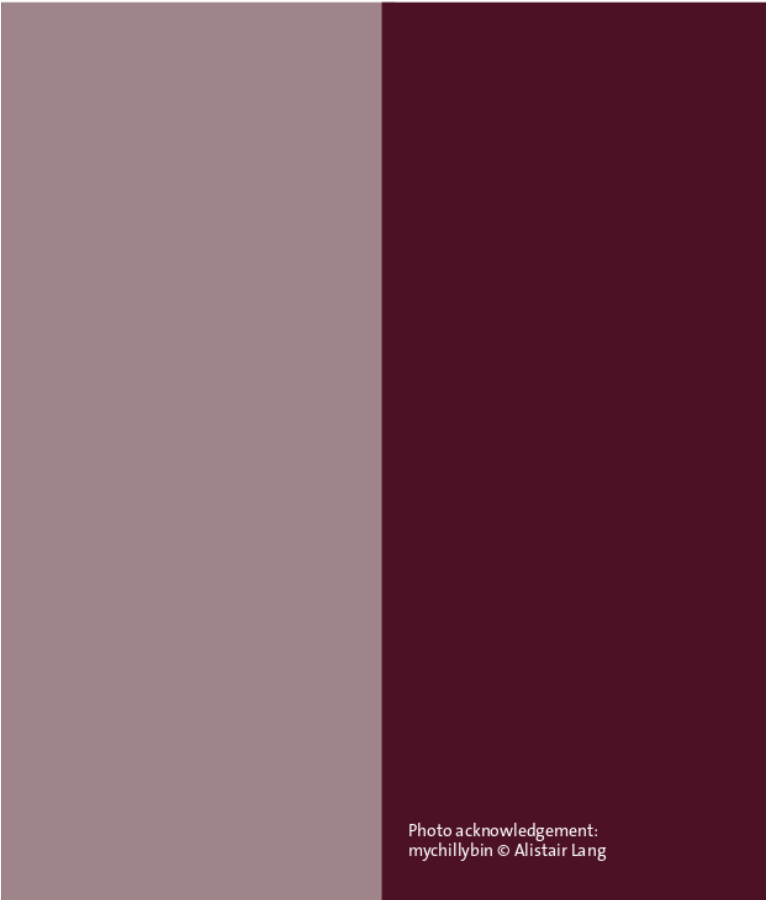


CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

B.29[21i]

Our observations on local government risk management practices





B.29[21i]

Our observations on local government risk management practices

Presented to the House of
Representatives under section 20 of
the Public Audit Act 2001.

October 2021

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Auditor General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. However, even before Covid-19, councils were operating in a complex environment that was becoming more challenging and uncertain.

We have recently seen service disruptions from core council infrastructure failures, the impacts of climate change with more frequent droughts and flooding, increasing pressures from growth, and financial pressures associated with all of these.

Councils are also grappling with meeting increasing standards and the uncertainties of proposed regulatory changes, such as the resource management reforms and the Three Waters Reform programme.

As councils seek to achieve their objectives and meet the needs and expectations of their communities in an increasingly complex environment, it is essential that they clearly understand the risks they face and how to manage those risks.

My Office has previously reported that risk management was one of the least mature elements of governance in the public sector. Therefore, I wanted to know about councils' current risk management practices.

Councils provide a wide range of critical services to their communities. Given the consequences if these services fail, I expected that all councils would have a formal risk management framework in place that is fully integrated into their strategies, business activities, and decision-making.

I also expected risk management to be supported by appropriate resourcing and training. I expected this to cover:

- governance;
- processes to identify, analyse, and monitor risks;
- effective approaches in place to manage risk; and
- regular formal reviews of risk management practices to identify areas for improvement.

Some councils do not currently have a formal risk management framework. In my view, those councils should prioritise putting a formal risk management framework in place. Councils also need to consider whether risk management is part of their organisational culture and integrated into the decisions they make.

Auditor-General's overview

We saw several positive examples of a strong risk culture in the councils we looked at. These councils had an appropriate focus on, and a maturing approach to, risk management.

That every council now has an audit and risk committee (or similar), with most having some level of independent membership, is a step in the right direction. Although audit and risk committees have a role in setting up and monitoring risk frameworks, elected members are ultimately responsible for their council's risk management.

This report describes some positive examples that we saw during our work. These include:

- establishing the desired risk management maturity level, with a clear plan to achieve this;
- developing risk management guidelines to support greater consistency of practice throughout the council;
- using risk champions to help embed a risk management culture and support staff in their roles;
- embedding risk management into reporting to elected members to improve advice from staff, which provides elected members with greater confidence in their decision-making; and
- embedding climate risks into their overall risk context to make it a consideration for all strategic decision-making.

Despite this, the councils we looked at are still largely using basic risk management practices. However, they plan to improve their risk management practices over time.

To support good governance, elected members need to maintain an overall view of their council's strategic objectives, be aware of obstacles to achieving those objectives, and receive assurance that their council is managing risks well. In my view, more could be done to support elected members as they consider the risks faced by their council, particularly how they factor this into their decision-making.

Risk management should not be viewed as a separate process but integrated into all decision-making.

To improve their risk management practices, I expect councils to:

- have someone who is responsible for enabling and driving good risk management practices throughout the council;
- integrate risk management into all council activities, particularly strategy-setting and decision-making. As an example, some councils that have declared

Auditor-General's overview

climate emergencies do not identify climate-related risks as a separate key risk for the council;

- improve the training and support provided to elected members, particularly in their roles and responsibilities for effective risk management; and
- carry out regular reviews of risk management activity to inform progress and areas of improvement.

Specialist tools, such as quantitative risk assessment, could also be more widely applied. This would give managers and governors a better understanding of the risks to delivering complex programmes of work and how they could reduce their exposure to those risks.

I encourage chief executives and elected members to consider the maturity of their existing risk management practices and prepare a clear plan for improving that maturity. We provide examples in this report to help with this.

I acknowledge that implementing risk management practices takes time and resourcing. However, the consequences of not adequately managing risk are significant. They can often result in large and unexpected expenditure, service failure, and a loss of public trust and confidence.

I acknowledge the work that organisations such as Taituarā – Local Government Professionals Aotearoa do in fostering networks to improve risk management practices in councils (for example, through its annual risk management forum). Grassroots sharing is important, and fostering networks is fundamental to learning and improving.

I thank the councils that responded to our risk management survey and the staff of Auckland Council, Environment Canterbury Regional Council, Queenstown-Lakes District Council, and Waipā District Council for their openness and co-operation during our consideration of their risk management practices. All these councils have shown strong improvements in their risk management processes and practices during the past few years, and I commend them for this.

Nāku noa, nā



John Ryan
Controller and Auditor General
18 October 2021

Our recommendations

We recommend that councils:

1. prioritise putting in place a formal risk management framework if they do not have one;
2. ensure that elected members get the training and support that they need to carry out their risk management roles and responsibilities;
3. consider using more sophisticated techniques for identifying and managing risks on key programmes of work, such as quantitative risk assessments, given that the assessments that many councils make, particularly on the delivery of their capital expenditure programmes, need a high level of judgement; and
4. assess their desired level of risk management maturity and prepare a clear plan to achieve this. Regular formal reviews of their risk management practices should be carried out to inform progress and identify areas for improvement.

1

Introduction

- 1.1 Our 2016 report *Reflections from our audits: Governance and accountability* noted that risk management is one of the least mature elements of governance in the public sector.
- 1.2 Effective risk management is a critical part of successfully delivering an organisation's strategy. Identifying, understanding, and managing risk is also a fundamental part of effective governance. When risk is not managed effectively, assets or projects can fail. This can erode the public's trust and confidence in an organisation.
- 1.3 Good governance that is informed by an understanding of risk tolerance not only avoids failures but can also mean that the organisation does not miss opportunities to improve its financial or operational performance.¹ Governing bodies that think strategically and consider their organisation's role in a wide context are more likely to identify and be in a position to take opportunities to improve their performance or to achieve benefits faster.
- 1.4 The local government sector has recognised the need for improvement in risk management. In June 2016, Local Government New Zealand submitted a business case to central government to establish a local government risk agency. The agency would work with councils to achieve a more consistent and higher standard of risk management practice.² To date, no such agency has been established.
- 1.5 In our audit work, we often see instances where councils do not have effective risk management.
- 1.6 Given this context, we carried out work to better understand the current state of councils' risk management, where the challenges and issues are, and what support councils need to improve how they manage risk.

What we expected to see

- 1.7 Effective risk management by public organisations involves identifying, analysing, mitigating, monitoring, and communicating risks as part of their business activities.
- 1.8 To determine what we should expect to see in council risk management, we looked at several risk management standards or frameworks. These included:
 - the *Australia NZ International Standard ISO 31000:2009: Risk Management*; and
 - the *All-of-Government Enterprise Risk Maturity Assessment Framework*.

1 Risk tolerance is an organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objective, see *ISO Guide 73:2009(en) Risk management — Vocabulary* at iso.org.

2 For more information on the Local Government Risk Agency, see lgnz.co.nz.

Part 1
Introduction

- 1.9 Based on these and our own work, we identified four elements of risk management that we expect all councils to have. They are:
- a risk management framework in place to identify, analyse, and monitor risks;
 - effective approaches in place to identify and manage risk, with effective oversight by elected members and appropriate involvement by their audit and risk committee;
 - regular formal reviews of their risk management practices that inform areas for improvement; and
 - mechanisms for communicating with their communities about the risks they face and how they are managing those risks.

How we carried out our work

- 1.10 The observations we make in this report are based on:
- our observations of how Auckland Council, Waipā District Council, Environment Canterbury Regional Council, and Queenstown-Lakes District Council manage risk;
 - the results of a survey we sent to all councils (except the four councils listed above);
 - discussions we had with select audit and risk committee chairpersons; and
 - the knowledge we have developed through our work, which includes our audit work and discussions with council staff and elected members.
- 1.11 The survey questions are set out in Appendix 1.

Structure of our report

- 1.12 In Part 2, we set out what we mean by risk management.
- 1.13 In Part 3, we outline the importance of having a commitment to risk management.
- 1.14 In Part 4, we discuss the need for clear governance and management roles and responsibilities.
- 1.15 In Part 5, we summarise the top risks identified by councils.
- 1.16 In Part 6, we set out what councils should be doing to improve their risk management.

What we mean by risk management

2

- 2.1 Councils should have a clearly defined framework for managing risk.³ A risk management framework supports a consistent approach to managing risks throughout a council. It also provides a way for a council to compare the different types of risk that it must deal with, whether they are project-based risks, day-to-day operational risks, or longer-term strategic risks.
- 2.2 We do not endorse a particular risk management framework – there are many available. However, based on well-recognised risk management frameworks⁴ we have identified some core elements a risk management framework should have, including:
- a structure for the governance of risk management, with defined levels of accountability and reporting mechanisms. This includes appropriate involvement by audit and risk committees (see Part 4);
 - process(es) that are applied across a council to:
 - identify, analyse, and evaluate risks and their significance;
 - monitor and review risks to ensure that a council understands what could get in the way of achieving its strategic objectives;
 - treat risks to ensure that these are being appropriately managed; and
 - ongoing monitoring and review of the risk management process as a whole to ensure that it remains effective and councils continue to mature their risk management practices as planned (see Part 6).
- 2.3 The framework should be appropriate for the objectives the council is seeking to achieve and the main issues, drivers, and trends that could get in the way of it achieving them. It is important to have a risk management framework in place that is applied consistently and effectively. This will help council staff assure elected members that risk is being well managed. It will also better inform elected members' decision-making, which in turn enhances the community's trust and confidence in their council.
- 2.4 The Chief Executive of Environment Canterbury told us that "ultimately, risk is the language that helps staff and elected members make better decisions".

³ Our definitions of risk and risk management are from *ISO 31000:2009: Risk Management*. We define **risk** as the effect of uncertainty on objectives. We define **risk management** as the co-ordinated activities to direct and control an organisation with regard to risk.

⁴ For example, we looked at *ISO 31000:2009: Risk Management* (and its 2018 update) and the *All-of-Government Enterprise Risk Maturity Assessment Framework*.

Part 2

What we mean by risk management

Not all councils have a risk management framework

- 2.5 Our survey of risk management practices asked whether councils have a clearly defined risk management framework. Of the 63 councils that answered this question, 55 said they had a risk management framework. Most of these said that their framework was based on the *International Standard ISO 31000* (2009 or 2018). Of the eight councils that said they did not have a framework, seven said that they were preparing one (see Figure 1).

Figure 1

Whether councils we surveyed have a risk management framework



Source: Office of the Auditor-General.

- 2.6 Councils provide critical services to their communities. Because there are serious consequences if these services fail, it is imperative for all councils to have a formal risk management framework in place.

Recommendation 1

We recommend that councils prioritise putting in place a formal risk management framework if they do not have one.

Tailoring risk management to the needs of the council

- 2.7 There are many risk management frameworks that councils can base their framework on. Councils need to tailor their risk management framework to their circumstances – including their operating context, culture, strategic objectives, risk appetite,⁵ and risk tolerance. In Figure 2, we describe Environment Canterbury Regional Council's approach to managing its risks.

Part 2
What we mean by risk management

Figure 2
Environment Canterbury Regional Council's approach to risk management

Environment Canterbury Regional Council has a decentralised approach to risk management. The Council adopted its formal Risk Management Policy and Framework in 2017. However, the Council's journey of risk management maturity and readiness started when it developed stronger project management processes in 2014. It then emphasised health and safety management in 2016.

The Council's Risk Management Policy and Framework does not mandate specific risk management processes. Instead, it encourages risk thinking.

Under the Council's model, elected members and senior management set the tone for what they expect for risk management. Each group in the Council is expected to take responsibility for its own risk management, and risks are managed throughout the organisation rather than centrally. In effect, elected members and senior management empower staff to identify, manage, and monitor risks.

The Council has organised its services into the following portfolios:

- air quality;
- biodiversity and biosecurity;
- freshwater management;
- climate change, hazards, risk, and resilience;
- regional leadership; and
- transport and urban development.

The Council also has functional areas, such as project management and health and safety. Risk management is carried out at each of these portfolio and functional areas. Relevant managers are responsible for managing the risks in their domains. The managers receive support to establish and strengthen their risk management practices when they need it.

This approach means staff can choose how to identify, assess, and respond to risks. This has been welcomed by staff, who can focus on their actual risks rather than the risk management tool given to them.

Elected members receive regular updates from management on how the Council is managing identified risks through portfolio committees and the performance, audit and risk committee.

The Covid-19 pandemic delayed a regular review of the Council's top risks by elected members. This had not been done when we completed our work.

Councils had appropriate policies and processes in place

- 2.8 The four councils we looked at had the policies and processes in place that we expected to see. These include:
- a risk management policy;
 - appropriate processes and procedures to identify, analyse, and evaluate risks;
 - allocated responsibility for the overall leadership of risk management in the organisation; and
 - some way of distinguishing between strategic, operational, and projects risks to effectively oversee and monitor risks at the right level.

Part 2

What we mean by risk management

- 2.9 The four councils we looked at tailored their risk management policies to their needs. Council staff also actively considered these policies when carrying out their risk management roles and responsibilities, including when they managed projects and made decisions more generally.
- 2.10 In general, the four councils we looked at capture project risks on an ongoing basis. Strategic risks are usually reset on an annual basis through workshops with senior leadership teams and elected members.
- 2.11 For example, Auckland Council uses a variety of tools and approaches to identify risks. These include:
- risk appetite statements, which are directives from the executive leadership team and endorsed by elected members, to indicate their comfort levels for risk;
 - brainstorming sessions with experienced and knowledgeable staff;
 - structured techniques (such as strengths, weaknesses, opportunities, and threats (SWOT) analysis; process mapping; and bow-tie analysis⁶);
 - annual strategic, council planning, budget, and risk identification workshops;
 - regular compliance reviews (internally and externally);
 - quarterly reassessment of top and emerging risks with the senior leadership team and the audit and risk committee;
 - assignment of ownership and accountability for top risks;
 - divisional and departmental risk registers in place; and
 - independent reviews of the council's actual risk maturity compared with its desired level of maturity.

Councils need to focus on achieving consistent risk management practices

- 2.12 Some staff we interviewed said that their council finds it challenging to achieve consistent risk management practices throughout the organisation. This is because different teams apply different risk management processes or apply the same processes inconsistently. This can affect the quality of advice provided to senior management and elected members, and the robustness of decisions made.
- 2.13 Waipā District Council provides Risk Management Guidelines, and staff training and support, to help improve the consistency of risk management practices throughout the organisation. The guidelines provide different approaches to identifying risks, tools for risk analysis, guidance on writing risk statements, and an explanation of the "likelihood" and "consequence" ratings and how these translate into inherent risk assessments and the suggested treatment options.

⁶ **Bow-tie analysis** is a visual way of showing the effects of a hazard, the risk it presents, the consequences, and the controls that should be implemented.

3

Committing to risk management

- 3.1 Council staff and elected members need to understand the importance of managing risk and having a strong and sustained commitment to effective risk management.
- 3.2 Council staff and elected members should express this commitment by:
- setting the tone from the top and expressing a commitment to risk management through a risk policy;
 - integrating risk management throughout the council – particularly in its setting of strategic priorities and decision-making processes;
 - being appropriately resourced with staff who are adequately trained and experienced in risk management; and
 - elected members having a shared understanding of their roles and responsibilities in risk management (see Part 4).
- 3.3 The four councils we looked at are strongly committed to risk management and recognise its importance to achieving their objectives.

Councils should have someone responsible for leading risk management

- 3.4 Our survey asked councils whether they had a dedicated risk manager. If they did not have a dedicated risk manager, we asked why. If they did have a dedicated risk manager, we asked who the risk manager reported to (see Figure 3).

Figure 3

Whether the councils we surveyed had a dedicated risk manager



Source: Office of the Auditor-General.

Part 3

Committing to risk management

- 3.5 Of the councils that did have a dedicated risk manager, seven risk managers reported to their chief executive.
- 3.6 Although not all councils can afford to have a dedicated risk manager, they should have someone responsible for enabling and encouraging good risk management practices.⁷ The risk manager is not responsible for managing risk but helps lead and monitor risk management processes throughout the council.
- 3.7 If a council has an internal audit function, then the internal auditor should not be responsible for risk management decisions. Internal audits provide assurance that risk management activities are appropriately designed and implemented, and that they are operating effectively.
- 3.8 Internal audits are risk based, which means internal auditors need access to risk information. Sometimes, the internal auditor is asked to co-ordinate or aggregate risk intelligence. However, if the internal auditor is seen to have responsibility for risk management, then their independence might be questioned.

Councils need to improve the integration of risk management into council activities

- 3.9 From the councils we looked at, we saw that it can be challenging for councils to integrate risk management into their activities, particularly when making decisions about operational risks.
- 3.10 Figure 4 describes how, to support effective decision-making, Auckland Council includes a risk section in all governance reports.

Figure 4

Auckland Council includes a risk section in all governance reports

Auckland Council includes a risk section in its report for governors (including local boards). The report template provides report writers with guidance on how to fill out the risk section. This section must be populated.

The Council also runs an ongoing quality advice programme. As part of the programme, training and guidance is provided to report writers who advise decision-makers about risks and mitigations.

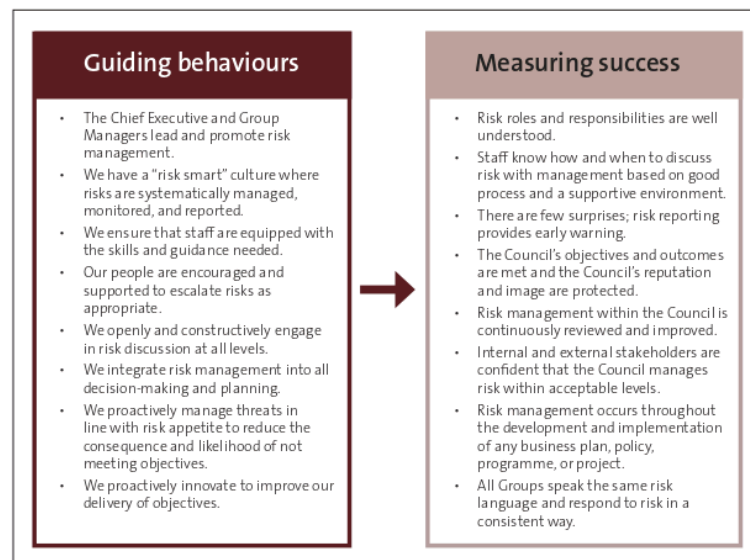
Having a risk section means that staff are prompted for their consideration and management of risk. Staff we spoke to said that there has been an increased commitment and understanding of what risk management is and why it is important.

Auckland Council has enforced this discipline for some time. This and its other initiatives, which include increasing risk management conversations throughout the Council, have improved the quality of reports going to the governing body.

Culture is critical to integrating risk management

- 3.11 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. Councils should consider how to implement an appropriate culture in their organisation that would best support integrating risk management into all their activities.
- 3.12 Hastings District Council's Chief Executive expressed a commitment to risk management in the Council's Enterprise Risk Management Policy and Framework. In that commitment, the Chief Executive notes:
- Risk management enhances our service culture and should be engrained in our DNA. Risk management is a continuous journey of learning and its application underpins our ability to deliver positive outcomes for our community.*
- 3.13 As Figure 5 shows, Hastings District Council's framework describes guiding behaviours (such as “we openly and constructively engage in risk discussion at all levels”) and how success will be measured (such as “staff know how and when to discuss risk with management based on good process and a supportive environment”).

Figure 5
Hastings District Council's Risk Management Policy and Framework



Part 3**Committing to risk management**

- 3.14 The way that risk is considered by elected members, at a council's audit and risk committee, and by management (collectively and individually), creates a culture. That culture has a significant bearing on whether a council will successfully identify and manage risks.
- 3.15 In Figure 6, we describe Auckland Council's use of risk champions to support its risk management culture.

Figure 6
Auckland Council's use of risk champions

Auckland Council has designated between 50 and 60 staff as risk champions. The risk champions are important for embedding good risk management culture and good practice throughout the Council.

One risk champion we spoke to described their work as an advocacy role, promoting good practice in risk management. They saw the value of their role in increasing the conversation about risk management throughout the Council and, in particular, supporting their department to improve how it considers and manages risks.

Before Covid-19, the risk champions met every two months to look at risks throughout the Council. Risk kōrero were reinstated in January 2021. The January meeting discussed how to effectively integrate risk management into everything the Council does. The risk champions were briefed on the Council's latest reassessment of its top risks, and they provided feedback on the likelihood and impacts of each risk at a divisional and departmental level.

This information has been recorded and informs the assessment and management of the Council's top risks. The Council continues to develop a programme for the risk champions, including holding regular meetings.

Staff and elected members need more support and training

- 3.16 Staff and elected members need to understand why risk management is important to their council's business, how it relates to their roles, and the part it plays in good decision-making.
- 3.17 We found that councils in general recognise that they need to do more in respect of training and development, and have ongoing conversations, so that elected members and staff understand their role in managing risk. This would help them more consistently consider and discuss risks and their impact on the council's decision-making.
- 3.18 Elected members often receive information about a council's risk management activities and their role in risk management as part of their post-election induction. However, we found that subsequent workshops or training sessions often did not happen. One council scheduled a follow-up forum that only a small number of elected members attended.
- 3.19 Queenstown-Lakes District Council has a risk management intranet page with links to relevant resources. The Council also provides internal training on new aspects of its risk management processes to some staff. Staff with stronger risk management backgrounds run the training.

Part 3
Committing to risk management

- 3.20 Auckland Council identified four high-risk areas needing consistent training (cyber security, integrity, health and safety, and privacy). The Council made online learning modules mandatory for all staff and included them in the onboarding programme for new staff. Overall, about 80% of all Auckland Council staff have completed the training to date.
- 3.21 Auckland Council also provides risk management training and “how to” guidance to staff and elected members in conjunction with its organisational development programmes. These include the Kura Kawa (elected member development programme) and the staff quality advice and risk champions programmes.

Risk aware versus risk averse

- 3.22 Risk management practices are not usually designed to eliminate all of an organisation’s exposure to risk.
- 3.23 We heard through our work that councils can have a risk averse⁸ 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.
- 3.24 Councils are also at times subject to significant scrutiny not just from their communities but also central government and interest groups, such as residents’ or ratepayers’ associations.
- 3.25 However, risk management is not just about avoiding or reducing the impact of bad outcomes. Risk management is also about supporting an organisation to succeed.
- 3.26 As well as posing a threat, risk can be an opportunity for developing innovative ways of working. Not looking for or not taking opportunities when they arise also has risks. There is a difference between being “risk aware” and “risk averse”.
- 3.27 Councils need to understand and be transparent about the risks they take on and the benefits they seek. Not all initiatives will succeed, and sometimes the speed of implementation can deliver benefits quickly but put the cost or quality of those benefits at risk. Using reliable information to balance risk and return is part of good risk management.
- 3.28 Councils need to consider value creation and the potential for innovation when setting their risk appetite. The need for innovation has never been more important given the challenges councils are facing to deliver services to communities within budgetary pressures.

⁸ According to the *Cambridge Dictionary*, being **risk averse** means being unwilling to take risks or wanting to avoid risks as much as possible.

4

Clear governance and management roles and responsibilities

- 4.1 Councils should have a structure for how they govern and manage risk, with defined levels of accountability. Roles and responsibilities for the governance and management of risk are often split between different individuals and teams. Therefore, it is vital that these roles and responsibilities are documented and understood. This includes the roles and responsibilities of elected members and audit and risk committees.
- 4.2 Collectively, elected members are responsible for setting the risk management tone and objectives for their council. They are also responsible for overseeing the council's strategic, financial, operational, and reputational risks. This is because elected members are ultimately accountable to the public for their council's performance.
- 4.3 Audit and risk committees can support elected members in risk management. However, there should be clear lines of communication between the audit and risk committee and the elected members about risk management.

Audit and risk committees' important role in risk assurance

- 4.4 Audit and risk committees could be better thought of as risk and assurance committees. Their focus should be on risk, and their purpose should be to provide assurance to elected members that their council is managing risk well.
- 4.5 Risk is the effect of uncertainty on achieving an organisation's objectives. Therefore, it is important that audit and risk committees have a good understanding of what their council is trying to achieve now and in the long term. Audit and risk committees should also understand the council's key risk areas, including the likelihood of those risks occurring and the consequences if they do.
- 4.6 Audit and risk committees can help a council 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; and
 - providing an opportunity for the chief executive or other senior managers to test ideas in a constructive forum.
- 4.7 In our view, each council should consider the appropriate functions and role of its audit and risk committee for risk management. Audit and risk committees should have the training and support they need to carry out their role.

Part 4

Clear governance and management roles and responsibilities

- 4.8 We saw effective risk management in the four councils we looked at. The audit and risk committees of these councils had clear roles and the right experience and skillsets for the types of risks their councils face. The four councils' audit and risk committees all received updates from risk managers at each committee meeting.
- 4.9 The audit and risk committee chairpersons we spoke to noted that their council's processes have matured significantly. This was often demonstrated during the response to Covid-19, with audit and risk committees playing a critical role.
- 4.10 In Figure 7, we describe Waipā District Council's audit and risk committee's role in risk management.

Figure 7**Waipā District Council's audit and risk committee**

We saw some good practice applied by Waipā District Council's audit and risk committee. The committee was established in September 2015, and an independent chairperson was appointed in December 2019. The committee is a sub-committee accountable to the elected members for the Council's risk management activities.

The committee's role in risk management is to:

- ensure that the Council's risk management framework is current, comprehensive, and appropriate;
- assist the Council in determining its risk appetite;
- review the effectiveness of the Council's risk management framework and internal control systems; and
- review risk management reporting quarterly.

The committee meets quarterly and is provided with a Quarterly Risk Management Report. The report provides an update on key insights; strategic, operational, and project risks; emerging risks; an update on the mitigation actions taken; internal audit activities; and how the implementation of the risk management strategy is progressing.

The main purpose of the quarterly reports is to provide a basis for discussion and start effective risk conversations.

The committee asks the following three questions to hold management to account:

1. Are management happy with where risk management is at?
2. If not, what do they need to do to respond to that risk?
3. Does management have the support they need to respond to risk?

Standing items on the committee's agenda cover:

- a "deep-dive" discussion on one of the Council's top risks (this is on a rotating basis, with the intent that each top risk is discussed once a year);
- an organisational risk discussion with the Chief Executive; and
- a group risk discussion with each of the group managers on a rotational basis that covers what is on the manager's work programme, what is on their upcoming work programme, and what "keeps them awake at night".

There are clear lines of communication between the committee and the full Council.

The Council reviews the performance and effectiveness of its audit and risk committee through an annual perceptions survey. All elected members and key staff members who work regularly with the committee complete this survey. The first survey was carried out soon after the committee was established and acts as a baseline. Subsequent survey results provide a long-term view of the committee's effectiveness.

Part 4**Clear governance and management roles and responsibilities****Improving elected member confidence in risk management**

- 4.11 Identifying, understanding, and managing risk is a core part of the role of elected members. Elected members should:
- establish a tone at the top that promotes a risk-aware culture;
 - set the council's risk policy and approach;
 - be informed about risks and the measures that management is taking to manage significant risks; and
 - 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.
- 4.12 We saw a need for councils to have a stronger focus on the role that elected members play in risk management. This includes ensuring that elected members are getting the training and support they need to carry out their risk management roles and responsibilities.
- 4.13 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.
- 4.14 This includes understanding the risks associated with progressing a proposed course of action and how their council is managing these risks. Elected members need to be able to test the information they receive from council staff and make well-informed decisions.
- 4.15 It is important that elected members understand the context in which they are making decisions on behalf of their community and the implications of the risk information staff provide to them.
- 4.16 Staff and elected members need to discuss risk and how it should be managed in a clear way. Good communication between elected members and management is essential to set risk management expectations, including roles and responsibilities and the council's risk appetite and risk tolerance levels.

Recommendation 2

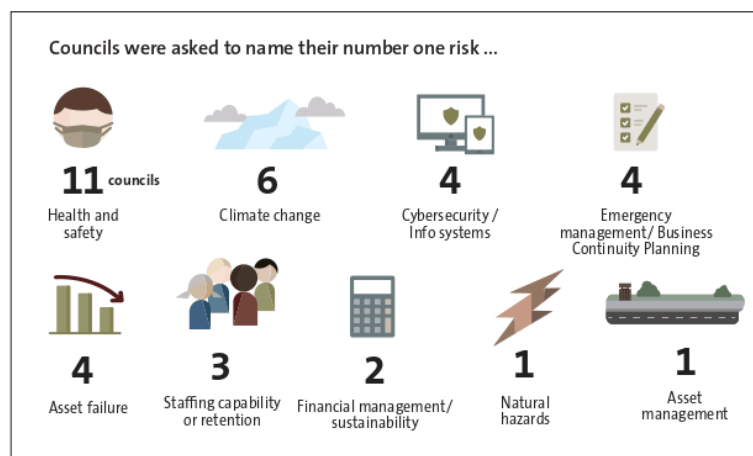
We recommend that councils ensure that elected members get the training and support that they need to carry out their risk management roles and responsibilities.

5

Councils' top risks

- 5.1 The risks councils face are wide ranging. They include risks related to health and safety, the impacts of climate change, fraud, cyber-security, asset failure, cost escalation, drinking water quality, and changes in regulatory standards.
- 5.2 We asked councils what they identified as their top five risks. Of the 56 councils that responded to this question, 11 said that health and safety was their number one risk and six said the impact of climate change was their number one risk (see Figure 8).

Figure 8
The top risks identified by councils were wide-ranging



Note: This is a sample from the responses received from the 56 councils, not a total list.

- 5.3 In our local government work, we often find instances where poorly managed conflicts of interest and procurement risks reduce the public's trust and confidence in a council. However, not many councils we surveyed listed conflicts of interest or procurement as a top risk.
- 5.4 We looked at two specific risks – climate change and asset management (including asset failure) – and considered how three councils were looking to mitigate the risks that they had identified.

Climate change

- 5.5 Six councils in our survey said that their number one risk was responding to climate change impacts. Several other councils included this in their top five risks.

Part 5
Councils' top risks

- 5.6 Climate change poses risks to council activities, and council activities affect the climate. Councils need to:
- advise their elected members of these risks;
 - communicate these risks to their communities; and
 - make informed decisions about how to manage their assets and deliver services in response to these risks, including assessing options and their cost implications.
- 5.7 As at February 2020, 17 councils have declared climate emergencies (see Appendix 2). However, in their responses to our survey, some of those councils did not have climate-related risks in their top five risks.
- 5.8 This might be because those councils are not integrating their climate-related strategy and/or policy decisions into their risk management practices. Another reason might be that councils have incorporated climate change-related risks into other risk categories, such as asset failure.
- 5.9 If councils are to make well-informed decisions about their climate change work programmes, it is important that they integrate their decision-making and risk management. This also demonstrates to their communities that they are acting on their climate emergency declarations.
- 5.10 The Task Force on Climate-related Financial Disclosures framework has been developed to provide clear and comprehensive information on the impacts of climate change. The framework is structured around four core categories, one of which is risk management. Councils are encouraged to become familiar with the framework.⁹
- 5.11 In Figure 9, we describe Queenstown-Lakes District Council's approach to embedding a consideration of climate change risks into its current and future risk context.

⁹ Matt Raeburn and Rick Lomax (July 2021), "TCFD framework and climate change obligations", *Local Government Magazine New Zealand*, pages 40-42.

Part 5
Councils' top risks

Figure 9

Queenstown-Lakes District Council's approach to embedding a consideration of climate change risks in its risk context

Queenstown-Lakes District Council has taken steps to embed climate change into its current and future risk context. The Council identified ineffective planning for climate change as one of its top five risks.

The Council adopted a climate action plan after consulting with its community, holding workshops, and commissioning scientific research on climate change impacts and implications for the district until the end of the century.

The climate action plan has the following five key outcomes:

1. The community looks to the Council for leadership and action.
2. Queenstown-Lakes District has a low-carbon transport system.
3. Built environment and infrastructure are climate responsive.
4. Communities are climate conscious and resilient.
5. The economy and natural environment thrive together.

The plan is supported by a range of actions that involve – and need implementation support from – all directorates of the Council. When consulting the community on its 2021-31 long-term plan, the Council sought views on whether to maintain its current level of investment into activities to achieve climate goals or to increase this investment. The plan is aligned with the Council's other strategies and outcomes.

Actions under the climate action plan to date include forming a Climate Reference Group and developing a draft Emissions Reduction Masterplan and Sequestration Plan for the district. The plan notes that the Council will develop a performance framework and identify key performance indicators.

The Council considers that there is good engagement with the climate action plan and strong community support, both in terms of adapting to climate change effects and reducing emissions. The Council aspires to have net zero carbon emissions in communities in the district as part of its Vision 2050 strategy.

Council officers report on progress in implementing the Council's climate action plan as a standing item in the Audit Finance and Risk Committee agenda and identify areas for further investment and action. The reports update the committee on progress in achieving the five outcomes, actions in the plan, priorities for the next quarter, actions that have been delayed or rescheduled, risk mitigations, and updates on changes in the operating environment (such as the Climate Change Commission's advice).

Asset management

- 5.12 Many councils' top risks relate to asset management. Councils are responsible for managing assets with a combined value of more than \$160 billion. Councils deliver core services to their communities through these assets. Councils are accountable for the decisions they make about how these assets are managed.
- 5.13 Climate change, natural hazards, growth, increasing environmental and health standards, regulatory change, understanding the condition of existing infrastructure, and funding constraints all affect whether councils achieve their asset management and service delivery objectives.

Part 5
Councils' top risks

- 5.14 Many assets are also coming to the end of their useful life, and performance issues might arise as a result. We have previously highlighted concerns that councils might not be sufficiently reinvesting in their critical infrastructure assets. This is based on planned renewals expenditure being less than the forecast depreciation charge.¹⁰
- 5.15 Recently, as part of their 2021-31 long-term plan consultation, several councils identified that they have been underinvesting in their assets.¹¹ Some communities are already experiencing asset failures because of this underinvestment.
- 5.16 To manage infrastructure assets, councils need to have reliable information about the condition and performance of their assets. Reliable asset information is important for mature asset risk management.
- 5.17 However, many councils struggle with getting reliable asset information, despite the benefits. In Figure 10, we describe Waimakariri District Council's approach to managing its assets.
- 5.18 To govern the management of assets effectively, elected members should ask questions and/or receive information (preferably trend information) about the following:
- What is the knowledge we have about our assets?
 - What percent of our assets have been inspected and when?
 - How are we monitoring the performance of our assets?
 - What are the asset failure trends?
 - What do we spend on reactive versus planned maintenance versus relevant benchmarks?
 - Does our future investment programme adequately consider risk and allow the council to take a risk informed investment approach?

¹⁰ Office of the Auditor-General (2020), *Insights into local government: 2019*, paragraph 1.10.

¹¹ For example, see Central Hawke's Bay District Council (2021), *Facing the Facts: Consultation Document Long Term Plan 2021-2031*, page 2.

Part 5
Councils' top risks

Figure 10
Waimakariri District Council's asset planning and information

Waimakariri District Council recognises that good asset planning and information helps manage risks at a strategic level and when it responds to an immediate issue, such as the Canterbury earthquakes in 2010 and 2011. When the earthquakes happened, the state of its assets held few surprises for the Council. Within days of the earthquakes, the Council was able to make significant decisions about replacing pipes to restore assets and accommodate the required future growth in the district.

For many years, the Council has prioritised its understanding of what assets it owns, where those assets are located, hazards that might affect its assets, and where there is capacity for growth – including population, demographic, and industry changes. The Council has collected all of the important information for reticulation pipes, such as pipe diameter, ground conditions, and how deep the assets are.

The Council has assessed vulnerable and critical assets, and it has plans in place to renew these assets before they fail.

The Council has taken a long-term view in preparing its infrastructure strategy. As a result, it has ring-fenced the money it needs for its asset renewals. The Council has also costed the likely impact of another natural disaster and has sufficient "head room" in its financial strategy to respond to such an event.

There is a strong commitment to resourcing for both staff and technology. The Council actively recruits interns and graduate engineers and provides them with training. This supports a sustainable workforce.

The Council reviews its risk register quarterly and reports a reasonable level of detail. The Council has recognised that it needs to improve its reporting to elected members, noting that reporting often influences the desired change. The Council currently provides detailed asset management plans and reports compliance on performance measures and the capital works programme to its elected members. However, this does not report on service level outcomes, and the Council has noted that this is a matter it could report on.

- 5.19 We have reported that many councils plan to invest in their assets at significantly increased levels. However, they have struggled to achieve their capital expenditure programmes.¹²
- 5.20 Project delays or deferrals are typically the most common reasons councils give for spending significantly below their capital expenditure budgets. These delays can be caused by re-prioritising council projects, internal delays (such as consenting issues), and contractual delays (such as tender processes taking longer than expected). These risks are often not well described or understood when capital programmes are approved.
- 5.21 In Figure 11, we describe Waipā District Council's approach to managing the risk of not delivering its capital works programme.

¹² Office of the Auditor-General (2020), *Insights into local government: 2019*, page 13, and Office of the Auditor-General (2019), *Matters arising from our audits of the 2018-28 long-term plans*, pages 19-20.

Part 5
Councils' top risks

Figure 11

Waipā District Council's approach to managing the risk of not delivering its capital works programme

Waipā District Council staff told us that the Council's most pressing risk is how to deliver its capital works programme to provide the infrastructure to support expected high levels of growth.

The Council continually reviews project risks and assigns these to "owners" where appropriate. Project managers identify risks at a project level, but the owner of the work programme is expected to consolidate risks at a programme level. This enables cross-organisation responses to be prepared.

Risks filter down through the Council's business planning process and are reported to the audit and risk committee quarterly. The key purpose of the report is to provide a base for discussion and start effective risk conversations by the committee. The report provides the committee with the results of the quarterly review of risks, an update on the status of the mitigation measures, and an update on the implementation of the risk management strategy. The executive also carries out a quarterly review of the report in the lead-in to the audit and risk committee review.

- 5.22 Councils need to deliver large and complex capital programmes. This was reinforced in councils' 2021-31 long-term plans, where capital expenditure forecasts continue to significantly increase over long-term plans.
- 5.23 We consider that, given the complexity of decisions that councils need to make about large infrastructure projects, they could make more use of specialised risk management techniques. We have seen limited use of such techniques by councils.
- 5.24 Quantitative risk analysis or assessments can assist councils in decision-making by providing a probability associated with particular outcomes. This would enable councils to understand what controls or interventions are likely to have the greatest effect on reducing risk.
- 5.25 Councils cannot make strategic decisions if they do not know where their risks are and what effect they have.

Recommendation 3

We recommend that councils consider using more sophisticated techniques for identifying and managing risks on key programmes of work, such as quantitative risk assessments, given that the assessments that many councils make, particularly on the delivery of their capital expenditure programmes, need a high level of judgement.

The failure of important relationships is a strategic risk

- 5.26 Councils depend on successful relationships to achieve their strategic objectives – including relationships with neighbouring councils, central government, mana whenua, and their council-controlled organisations.
- 5.27 We saw councils recognising the failure of key relationships as a strategic risk. In Figure 12, we describe Auckland Council's identification of its inability to achieve Māori outcomes as a top risk.

Figure 12
Auckland Council – achieving Māori outcomes

In May 2020, Auckland Council identified its inability to achieve Māori outcomes because of Covid-19 as a top risk. The Council noted that Covid-19 was expected to have serious and prolonged effects on all vulnerable communities. There was a potential risk that the Council might be unable to meet its responsibilities to Māori, which would have a range of significant impacts and consequences.

Risks have been defined in three related parts as the risk of:

- not delivering on commitments to mana whenua, iwi, mataawaka, and Māori communities and customers;
- not honouring te Tiriti o Waitangi principles and not maintaining the Council's Treaty-based partnerships with Māori; and
- Māori reporting distrust and lack of confidence in the Council.

6

Improving risk management

- 6.1 An audit and risk committee chairperson we spoke to said that risk management is a journey, not a destination.
- 6.2 There are many risk management maturity assessment frameworks available, including the *All-of-Government Enterprise Risk Maturity Assessment Framework*.¹³ This covers:
- **Leadership and direction:** governance, culture, and continuous improvement;
 - **People and development:** roles and responsibilities, resourcing, skills, and training;
 - **Processes and tools:** risk assessment and mitigation, assurance, and risk monitoring and reporting; and
 - **Business performance:** strategic risk management, managing risk in partnerships, business resilience, and change and transformation.
- 6.3 Councils can use the *All-of-Government Enterprise Risk Maturity Assessment Framework* to assess their current maturity and help determine what they need to do to improve maturity.

Approaches to improving risk management maturity are unique to each council

- 6.4 The four councils we looked at acknowledged they needed to improve their risk management maturity and are doing so.
- 6.5 Environment Canterbury Regional Council plans to continue further integrating its risk management thinking and processes into its organisational culture and practices. To date, the integration of risk management has been deliberately gradual. Environment Canterbury Regional Council has prioritised working with staff who are more receptive to improving their risk management practices in the first instance.
- 6.6 In Figure 13, we discuss Waipā District Council's approach to applying a change management lens to improving its risk management maturity.

Figure 13**Waipā District Council's approach to applying a change management lens**

In 2018, Waipā District Council had external consultants complete a maturity assessment of its risk management framework and supporting processes. This work was part of the Council's internal audit plan. The aim was to identify areas for improvement.

The consultants rated the Council as having "sustainable" risk management. The ratings the consultants used were "weak", "sustainable", "mature", "integrated", and "advanced". The Council intends to move its rating from "sustainable" to "mature" over three years. The rating "mature" is considered best practice for the local government sector.

The consultants recommended that the Council:

- develop a formal risk management strategy and processes for monitoring and reporting key risks;
- consolidate key risks in the strategic risks register and avoid duplication of enterprise-wide risk registers;
- clarify roles and responsibilities of the audit and risk committee and the finance and corporate committee for risk monitoring and oversight; and
- develop more awareness, guidance, and uplift in ownership and capability of frontline staff to enable them to use risk management strategically.

The Council developed a three-year risk strategy that set out initiatives designed to achieve a "mature" rating:

- In Year 1 (2019/20), the Council developed documents that provided the foundation for risk management in the Council.
- In Year 2 (2020/21), the Council focused on organisation-wide awareness building and capability development to carry out risk management, making managing risk more systematic by building the risk management framework into the organisation.
- In Year 3 (2021/22), the Council will re-evaluate the risk strategy.

The Council is implementing this strategy through a risk management improvement programme. It also has a change management plan to support implementing this programme.

Applying a change management lens has been core to the Council's risk management strategy.

The Council carried out a risk and compliance survey in January 2020 to gauge the level of awareness, knowledge, and understanding of business risk and compliance throughout the organisation. The results established a baseline and informed the content of the change management plan.

A key part of the Council's risk management strategy has been setting up a Risk and Compliance Oversight Group, which includes staff from the organisation. This Group supports the implementation of the risk management strategy, champions risk management, provides advice and support to staff, and provides a channel for communications.

To date, the Council has appointed a dedicated business resilience and risk advisor role and an independent chairperson of the audit and risk committee, and it has laid the foundations of its risk management framework.

Part 6
Improving risk management

- 6.7 Every council should assess the level of risk management maturity it needs and establish a formal plan to achieving that maturity. Councils should carry out progress reviews to inform progress.

Recommendation 4

We recommend that councils assess their desired level of risk management maturity and prepare a clear plan to achieve this. Regular formal reviews of their risk management practices should be carried out to inform progress and identify areas for improvement.

Aspects of risk management that councils need to improve

- 6.8 Based on the risk management practices of the four councils we looked at, the results of our survey, and our audit work more generally, we consider that most councils have a basic level of risk management maturity.
- 6.9 Throughout this report, we have identified key areas that councils should focus on to improve their risk management practices. They are:
- someone in the council being responsible for enabling and driving good risk management practices throughout the organisation;
 - assessing the level of risk management maturity they currently have and the level they desire;
 - formally documenting the risk management practices they expect staff and elected members to apply;
 - 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;
 - improving the training and support provided to staff and elected members on their risk management roles and responsibilities;
 - ensuring that their audit and risk committee is clear about its role in gaining assurance over the management of risk;
 - regularly reviewing risk management activity to inform progress and areas of improvement; and
 - making greater use of quantitative risk analysis or assessments to support relevant decision-making.

Appendix 1

Survey questions

Question
Does your council have a clearly defined framework for managing risk?
Please explain why your council does not have a defined framework for managing risk.
What is the framework for managing risk based upon?
Does your council have a dedicated risk manager role?
Please briefly explain why your council does not have a dedicated risk manager role.
What role within your council does the dedicated risk manager report to?
How many full time equivalents (FTEs) are there in your council that have risk management as a dedicated component of their role (as specified in their job/role description)?
What is the primary role that your council's Risk and Assurance Committee (or equivalent) plays in relation to risk management?
Please list what your council has identified as its top 5 risks.
If the following: climate change; financial management, and/or; provision of infrastructure; do not feature in your top 5 risks, where do they sit in your council's risk management priorities (please answer as numbers). If you have mentioned any of these 3 issues as your answers to the previous question, please simply re-enter the position(s) they belong to in the top 5 list of risks.
What support, guidance and tools would help your council to improve the maturity of its risk management?

Appendix 2

Councils that have declared climate emergencies

Council	Date climate emergency declared
Auckland Council	11 June 2019
Bay of Plenty Regional Council	27 June 2019
Central Otago District Council	25 September 2019
Christchurch City Council	23 May 2019
Dunedin City Council	25 June 2019
Environment Canterbury Regional Council	16 May 2019
Greater Wellington Regional Council	21 August 2019
Hawke's Bay Regional Council	26 June 2019
Hutt City Council	27 June 2019
Kāpiti Coast District Council	23 May 2019
Nelson City Council	16 May 2019
Ōpōtiki District Council	5 September 2019
Porirua City Council	26 June 2019
Queenstown-Lakes District Council	27 June 2019
Wellington City Council	20 June 2019
Whangarei District Council	25 July 2019
Whanganui District Council	11 February 2020

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BOP LASS Q1 Risk & Insurance Presentation

Matthew Wilson and Deanna Macdonald

21st March 2022

AON

AGENDA



Market Update



Cyber



Valuations



Asset Selection



OAG Recommendations



Wrap Up

INSURANCE MARKET – Q4 2021 SUMMARY

Pricing

A positive rate environment continues, but increases have moderated, and volatility has stabilized, with the most notable exception of Cyber.

Capacity

New capacity has entered the market and is being deployed strategically, with a focus on minimizing volatility.

Underwriting

Appetite is expanding as insurers focus on profitable growth. Underwriting discipline, rigor and scrutiny continue to strengthen. Risk differentiation is more important than ever.

Limits

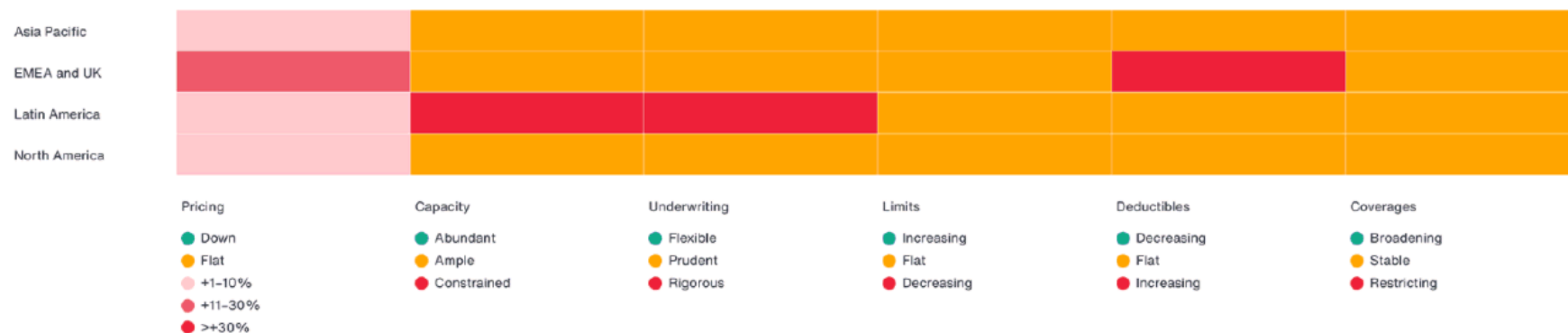
While most risks are renewing with total limits at expiring levels, there is a growing trend amongst insurers to reduce maximum limits offered, leading to more layers and coinsurance per placement. Sub-limits for high-hazard risks are under pressure.

Deductibles

Deductibles have stabilized as broad mandates have been applied, although further adjustments are required in market segments where underwriting performance remains strained.

Coverages

Following the exclusionary language modifications that were imposed on recent renewals, coverage has now stabilized across most lines. Coverage areas to watch: climate change and sustainability.



SIGNIFICANT 2021 INSURED LOSS EVENTS ABOVE USD1BN

Exhibit 9: Significant 2021 Insured Loss Events above \$1.0 billion



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COST OF NATURAL DISASTERS

Date	↕	Event	↕	Categories	↕	Cost (\$m)
2021 Nov 3 - 5		Gisborne Floods		Flood		0.9*
2021 Sep 9 - 13		South Island Windstorm		Wind, Storm		19.64*
2021 Aug 30 - 31		West Auckland Flooding		Flood		62.29
2021 Jul 16 - 19		West Coast Flooding		Flood		97.2
2021 Jul 16 - 19		Wellington Floods		Flood		17.88
2021 Jul 16 - 19		Upper South Island Floods		Flood		17.35
2021 Jul 16 - 19		North Island (excluding Wellington) Floods		Flood		8.04
2021 Jun 19		South Auckland Tornado		Tornado		32
2021 May 29 - Jun 1		Canterbury Flooding		Flood		46.44
2021 Jan 2 - 3		Canterbury Southwards Rain and Hailstorm		Hail, Rain, Storm		3.84

INSURANCE MARKET – 2022 OUTLOOK

- Insurers 2021 results have been good with a consistent return to profit, expect a move from remediation to growth.
- Insurer underwriting practices are more rigorous and data driven.
- For well managed 'standard' risks competition will increase. Hard to place risks (or those with significant claims) will require excellent data and submissions to differentiate risk.
- London markets may turn faster than local, noting that London is more expensive currently.
- Cyber (especially ransomware) surpassed Directors and Officers, and Natural Disasters are the most strained class of business.
- Professional Indemnity continues to be of concern.
- Focus on values/inflation, supply chain and ESG.

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CYBER RISK INSURANCE MARKET

Market Update – Government & Public Administration



Market Availability

Local (NZ) market availability is limited and often constrained by the requirement for supporting lines. Insurers cautious attitudes toward local government/public entity risks further reduces market options and capacity availability.



Minimum Controls

Government (incl local) cyber is generally a risk insurers have restricted appetite for. Insurers have a heavy focus on minimum security controls that are to be met before coverage consideration can be made. This is not limited to any one industry but emphasised for govt/public entities.



Pricing

Pricing increases are being experienced throughout the cyber market with major pricing corrections taking place in 2021. We expect pricing to continue upwards, with an optimistic view that increases will be more sustainable post sharp corrections experienced.



Coverage and Deductibles

Both coverage sub-limits and deductibles continue change. Insurers are often looking towards organizations to take on more risk in the form of higher deductibles to combat attritional losses and promote better control practices. For problem areas identified by insurers we are seeing sub-limits or co-insurance clauses placed on policies.

2021 RENEWAL RECAP

Impact for Local Government Group

- The insurer matched their minimum controls against a 3-level rating system to indicate coverage options available:
 - **Green** – full coverage available
 - **Yellow** – coverage available with restrictions
 - **Red** – no coverage offered

14

Rated as Green

16

Rated as Yellow

6

Rated as Red



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RENEWAL PROCESS

Cyber Renewal 2022

Renewal Timeline

Feb '22
Strategy
Discussion

Apr '22

Data collation
regarding 6-
month submission

(with respect to yellow/red rated councils)

May '22

Presentation of mid
year submission &
insurer review

Aug '22

Begin renewal
submission
process

Sep '22

Present
submission and
negotiate terms

Oct '22

Confirm
renewal

Ongoing council improvement to meet desired controls



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MINIMUM CONTROLS

Key Areas to Address

Multifactor Authentication (MFA)

- Is it utilized across the entire enterprise? What protocols are set around privileged access?

Endpoint Detection and Response (EDR)

- Is it utilized across the entire enterprise? What percentage of workstations have EDR?

Security & Privacy Training/Education

- What training/education is provided around data and IT security? (eg phishing simulations, data storage education etc)

Legacy Systems/End of Life Systems

- Are there any in place? If so, what controls are utilized (segregation, MFA etc)

Patch Management

- Patch management procedures in place, high patching rate desired

Business Continuity and Incident Response Plans

- Plans in place the address continuity and response for a cyber incident



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INSURANCE VALUATIONS

Insurance is seen as a mechanism to mitigate financial losses when an unacceptable level of risk remains.

- Set a policy statement – “Council will record risk mitigation to an asset group level and will periodically review risk assessment to determine appropriate ongoing mitigation measures”.
- Asset Revaluations – “Commercial insurance premiums are set against total sum insured cost, the total sum insured cost per asset type after each revaluation may differ slightly or possibly in some cases more significantly”
- Policy Review – “This policy shall be reviewed on a **[x year]** cycle by **[reviewer]** to ensure the policy is effective and efficient at achieving the objectives”

VALUATIONS POLICY STEPS

Step 1 – Assign Roles and Responsibilities

Step 2 – Set Policy Review Points

Step 3 – Assessment of Assets to be Insured

- Select asset level
- asset type and sub-type,
- likelihood of event rating e.g.

Likelihood	Rating	Descriptor (example frequencies)
Rare	1	May occur only in exceptional circumstances e.g. once in 10 years
Unlikely	2	Could occur only very occasionally e.g. 2-3 out of every 10 years
Moderate	3	Might occur from time to time e.g. 5 out of every 10 years
Likely	4	Will probably occur often e.g. 7 out of every 10 years
Almost Certain	5	Is expected to occur in almost all circumstances e.g. 9 out of every 10 years

VALUATIONS POLICY STEPS

- Consequence of event e.g.

Factor	Catastrophic	Major	Moderate	Minor	Insignificant
Score	5	4	3	2	1
Financial / Economic	Input what a catastrophic \$ value would be etc				
Health and Safety					
Human Resource					
Legal					
Reputation / Image					
Operational					
Natural Environment					

- Risk mitigation type – no insurance, self insurance or insurance
- Asset schedule formation

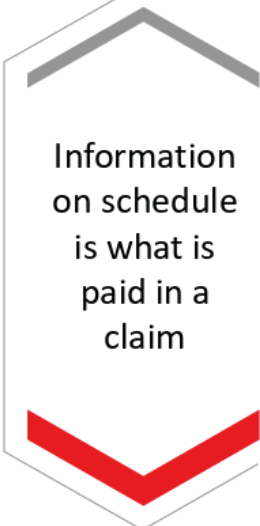
INSURANCE SCHEDULES

- Accuracy of Schedules
 - Are all assets captured?
 - Are all values correct?

- Focus on accurate information
 - Underwriters use **C.O.P.E**
 - ☐ **Construction** - refers to the type of building materials used to construct a property. These typically fall into categories such as frame, masonry, veneer and mixed.
 - ☐ **Occupancy** – refers to type of occupancy of the building. For commercial building, this could be an office, industrial, restaurant, light manufacturing, habitational, etc
 - ☐ **Protection** – refer to the various protections in place to prevent or mitigate loss. Does the property have a fire suppression system? Is there a central station alarm? Distance to fire hydrants, adequacy of water pressure and water supply | the community can also be included.
 - ☐ **Exposures**– refers to the risks posed by neighbouring properties or the surrounding area. This considers property locations and what's nearby. For example, is it an office building, a subdivision, a high-hazard manufacturing facility or something else?

INSURANCE SCHEDULES

- Basis of settlement options
 - **Replacement** - Should be the true Replacement cost of the asset including where applicable Inflationary provision and Demolition
 - **Functional Replacement** - The cost to replace the assets with a dissimilar asset that has the same actual functionality. Problem with this approach is partial loss
 - **Indemnity** - Depreciated value of asset taking into account it's age and condition.
 - **Demolition only** - Depreciated value of asset taking into account it's age and condition.



Information
on schedule
is what is
paid in a
claim

EXAMPLE

Small hall community services.

- Property Identified internally by Council as one to be demolished - poor EQ standards
- Property on Material Damage schedule for a Replacement Value of approx. \$2M
- Premium paid of approx. \$1,758
- Oct 2021 – Break In – Copper pipes, Hot water cylinder and electrical cabling stolen.
- Damage caused during break in and pipes etc stolen approx. \$30,000 to **REPAIR**
- Excess \$10,000

First Issue

- Building earmarked for demolition so nothing is going to be re-instated.
- Therefore there is no loss as Council are not replacing items stolen.

Second Issue

- Why was this on the property schedule
- Why pay a premium on a property that was never doing to be re-instated
- Should it have been on the schedule for Demolition only

OAG RISK MANAGEMENT REVIEW – RECOMMENDATIONS



CONTROLLER AND AUDITOR-GENERAL

Tumuaki o te Mana Arotake

Our observations
on local
government risk
management
practices



**Risk
Framework**

Implement formal Enterprise Risk Management framework.

Risk Maturity

Assess current level of risk management maturity and develop a clear path to achieve desired level

**Training and
Support**

Prioritise risk management resources and training for elected members.

**Improve
Knowledge
and Risk
Assessment**

Use more sophisticated means to identify and manage risks on key programmes - use of quantitative risk assessments.

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WORKSHOPS FOR COUNCILS



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PRESENTATIONS FOR COUNCILS

SLT

Audit & Risk

Specific Teams

Council

IAG





MINUTES

BOPLASS Insurance Renewal Meeting

Held via Zoom Video Conference

Monday, 21 March 2022 at 10:00am

Organisation	Representative	Attending	Apology
BOPRC	Rachael Burgess	✓	
BOPRC	Rebecca Immink	✓	
BOPRC	Kirsty Brown	✓	
GDC	Simon Jeune		✓
GDC	Andrew Haughey	✓	
KDC	Leon Alison		✓
ODC	Gregory Robertson		✓
ODC	Japjot Kaur	✓	
RLC	Thomas Colle'		✓
RLC	Hilda King	✓	
RLC	Kerry Starling		✓
TCC	Frazer Smith	✓	
TDC	Jamie Dale	✓	
TDC	Japjot Kaur	✓	
TDC	Danielle Klue	✓	
WBOPDC	Keith Sandom	✓	
WBOPDC	James Graham		✓
WBOPDC	Antoinette Denton	✓	
WBOPDC	Olive McVicker	✓	
WDC	Julie Caverhill	✓	
WDC	Heidi McCallum	✓	
BOPLASS	Stephen Boyle	✓	
BOPLASS	Lisa Innes, Minute Secretary	✓	

Aon	Matthew Wilson	✓	
Aon	Deanna Macdonald	✓	

Welcome and Apologies

Stephen Boyle opened the meeting, welcomed everyone and acknowledged apologies.

Matthew Wilson from Aon delivered a presentation “BOPLASS Q1 Risk & Insurance Presentation” (Attachment A). Additional key points and comments are outlined below.

1. Market Update

Matthew summarised the market conditions including implications of global natural disasters and the implications that has on the insurance market in New Zealand.

Key points:

- 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.

2. Cyber Security Insurance

Matthew introduced cyber security as it is now a primary focus for the insurer underwriters.

Key points:

- Due to the severity and frequency of cyber claims, cyber security is rapidly becoming a high-risk category.
- A number of insurers are refusing cover. Some may offer ransomware cover but often it will include a 50% co-insurance clause.
- Underwriters will be looking at what security processes are in place and how they are implemented.
- It is important to ensure the right people in your organisation are answering the questions.
- BOPLASS IT Managers Advisory Group will be holding a meeting on Thursday, 24 March 2022 and will be discussion cyber security. All Insurance representatives have been invited to join the meeting for this item as it will be beneficial for councils to understand the IT side of cyber security.

Action points:

- Councils to attend the BOPLASS IT Managers Advisory Group meeting. An invitation has been emailed to all insurance representatives.

3. Valuations

Matthew provided a 6-month review and key areas of concern for valuations.

Key points:

- Focus is on true value (not depreciative value), inflationary provisions and supply chain issues.
- Insurers have matched their minimum controls against a 3-level rating system to indicate coverage options.
- We need to provide detailed submissions outlining improved processes, procedures and valuations to move to the green category.
- It will help to start the information gathering well before renewals to ease the time pressure.
- Consider legacy assets – what is being done about the redundant assets, are they secure, what controls are in place?
- There is a requirement to undertaken cyclical valuations.
- Again, it is important the right people are involved to ensure accurate data is provided.

4. Asset Selection

- If you have not done already, it is important to implement an asset selection process. Is there a framework around what you want (and do not want) to insure?
- It is not a necessity to provide the asset register as this may contain assets you do not want to insure.
- Who are the right people to make the decision on what should be insured?
- Ensure insurance schedules are accurate – are all assets captured? Are your values correct?
- Underwriters use a C.O.P.E. framework (Construction, Occupancy, Protection, Exposures).
- Basis of settlement options include replacement, functional replacement, indemnity and demolition only.
- Aon can help with wording to protect you from partial loss relating to functional replacement value.
- Demolition only is usually imposed by insurers, not imposed by councils. Ask the question whether the asset should be insured, if you are considering demolition only.
- Matthew provided an example of a community hall that wouldn't be replaced if a total loss to highlight the importance of asset selection.

5. OAG Recommendations

- Aon have contacted most councils to offer help. Councils were reminded to contact Dee and Matthew should councils required guidance.
- Stephen Boyle had a meeting with Cecilia and Matt last week regarding enterprise risk management. This will be on the agenda at the next BOPLASS Board meeting so the CEs are aware of some of the outputs in the OAG report.
- Aon will be presenting directly to councillors at WBOPDC and Whanganui and hope to replicate information from those meetings across this group also.

Actions:

- BOPLASS to include enterprise risk management on the next BOPLASS Board agenda.

6. General Business and Questions

- Aon will be holding a number of workshops encompassing 101 Insurance, Enterprise Risk Management, Contract Works, Cyber, Insurance Risk Profiling and Claims. These will also be held at varying levels of business, i.e. SLT, Audit & Risk, Project teams, councils, insurance advisory groups.

Comments:

- Councils suggested business interruption as an area requiring more information. Aon provide a business interruption segment in the Claims Workshop. Contact Dee or Matthew to arrange a workshop for your respective councils.
- Inflation guidelines will be distributed but it is important to note they are only indicative of how things change from a global perspective. Supply chain issues also need to be considered.
- It would be beneficial to run more frequent meetings to keep track of where councils are at and address any issues. Waikato used to run meetings every quarter, however recently changed to every 6 weeks, and MW have increased the frequency of their meetings also. It was decided to arrange at least two more meetings before renewal starts.

Actions:

- BOPLASS to arrange two additional Insurance Renewal meetings.
- Aon will be distributing guidelines on inflation over the next couple of days.

The meeting closed at 11:00 am



MINUTES

BOPLASS Insurance Cyber Security Meeting (ITMAG and Insurance reps)

Held via Zoom Video Conference
Thursday, 24 March 2022 at 9:00am

IT Managers Advisory Group (ITMAG)

Organisation	Representatives	Attended
BOPRC	Sumit Chopra	✓
GDC	Jamie Telford	✓
KDC	Andrew Bluett	✓
ODC	Ivan Arnerich	✓
RLC	Damian Stefadourous, Kelly Fletcher	✓
TCC	Raj Yama, Geoff Barnard	✓
TDC	Tracey May	✓
WBOPDC	Marion Dowd, Richard Gilligan, Tashina Abraham	✓
WDC	Paul Allington	✓
BOPLASS	Grant Probert	✓

Insurance Representatives

Organisation	Representatives	Attended
BOPRC	Rachael Burgess, Rebecca Immink	✓
GDC	Andrew Haughey	✓
KDC	Leon Alison	✓
ODC	Japjot Kaur	✓
RLC	Hilda King, Kerry Starling	✓
TCC	Frazer Smith	✓
TDC	Jamie Dale	✓
WBOPDC	Keith Sandom, Antoinette Denton, Olive McVicker	✓
WDC	Julie Caverhill, Brian Elliott, Heidi McCallum	✓
BOPLASS	Stephen Boyle	✓

In attendance:

Organisation	Representatives	Attended
Aon	Deanna Macdonald, Duncan Morrison	✓
BOPLASS	Lisa Innes, Minute Secretary	✓

Welcome

Stephen Boyle opened the BOPLASS IT Managers Advisory Group (ITMAG) meeting and welcomed the Council Insurance representatives in attendance. Attendees were advised the duration of the Cyber Security Insurance component would be for one hour at which point the meeting would revert to the ITMAG.

Deanna Macdonald (Aon) provided an overview of historic cyber security incidents and introduced Duncan Morrison as Aon's Cyber Network Advisor. Duncan delivered a presentation "BOPLASS Cyber Discussion" (Attachment A). Additional key points and comments are outlined below.

1. State of Play

Key points:

- Local (NZ) market availability is limited.
- Insurers focussed on minimum security controls – emphasised for government/public entities.
- In 2021 insurers use a 3-level rating system to determine if coverage will be available.
- Cyber market experiencing significant price increases, i.e. increase of 1500% from 2012 to 2020.
- Insurers implementing deductibles to combat losses and promote better control practices.

2. 2022 Strategy

Key points:

- Explanation of the renewal timeline was provided.
- Awareness of coverage availability, aggregation concerns, deductibles and sub-limits, and pricing.
- Understanding and communicating cyber risk, i.e. where submissions should be focussed.
- Minimum Controls – key areas to address were outlined.
- Aon will work with councils to improve their cyber posture and insurability.

3. Questions

Comments:

- Demonstrate segregation where possible and outlining controls between councils, to mitigate any shared risk.
- Members discussed on chat whether Three Waters was a shared platform between TCC, WBOPDC and Watercare, or a system as a service. The platform resides within Watercare so it should fall under their insurance.
- The slide showing the public sector increasing by 1500% was for claims incidents. The reasons for this fall within two categories; maybe the controls within public entities are not as good as the private sector because of budgetary constraints; and the second being public entities can be seen as more desirable whether for political reasons or the value of the information. Can be a combination of both.
- If you take online payments and retain credit card information; ensure your council is abiding by the PCI DSS guidelines.
- Most importantly, the accuracy, type, and quality of information we provide to insurers is crucial to ensure coverage continues and to secure insurance at reasonable rates. We need to provide good quality data.
- It is important for both the council IT Managers and Insurance representatives work together to achieve a good outcome.

The meeting concluded at 9:53 am

AON

BOPLASS Cyber Discussion

Thursday 24th March 2022



Aon Cyber Practice

Current New Zealand Team



Duncan Morrison

Cyber Risk Consultant



Ben Lynch

Principal Risk Consultant
(AGRC)



AON

State of Play

2021 Renewal and the
Cyber Insurance Market



Cyber Risk Insurance Market

Market Update – Government & Public Administration



Market Availability

Local (NZ) market availability is limited and often constrained by the requirement for supporting lines. Insurers cautious attitudes toward local government/public entity risks further reduces market options and capacity availability.



Minimum Controls

Government (incl local) cyber is generally a risk insurers have restricted appetite for. Insurers have a heavy focus on minimum security controls that are to be met before coverage consideration can be made. This is not limited to any one industry but emphasised for govt/public entities.



Pricing

Pricing increases are being experienced throughout the cyber market with major pricing corrections taking place in 2021. We expect pricing to continue upwards, with an optimistic view that increases will be more sustainable post sharp corrections experienced.

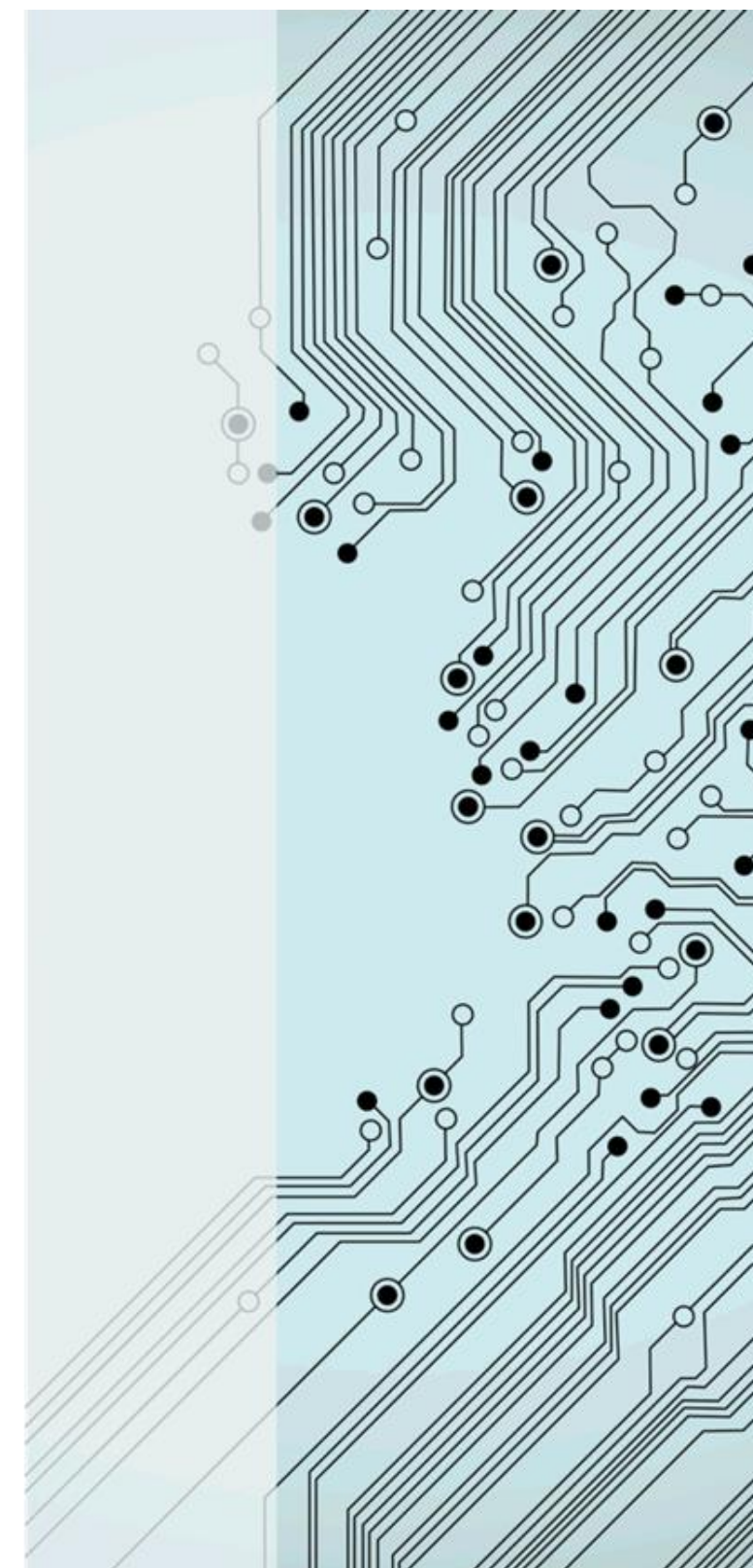
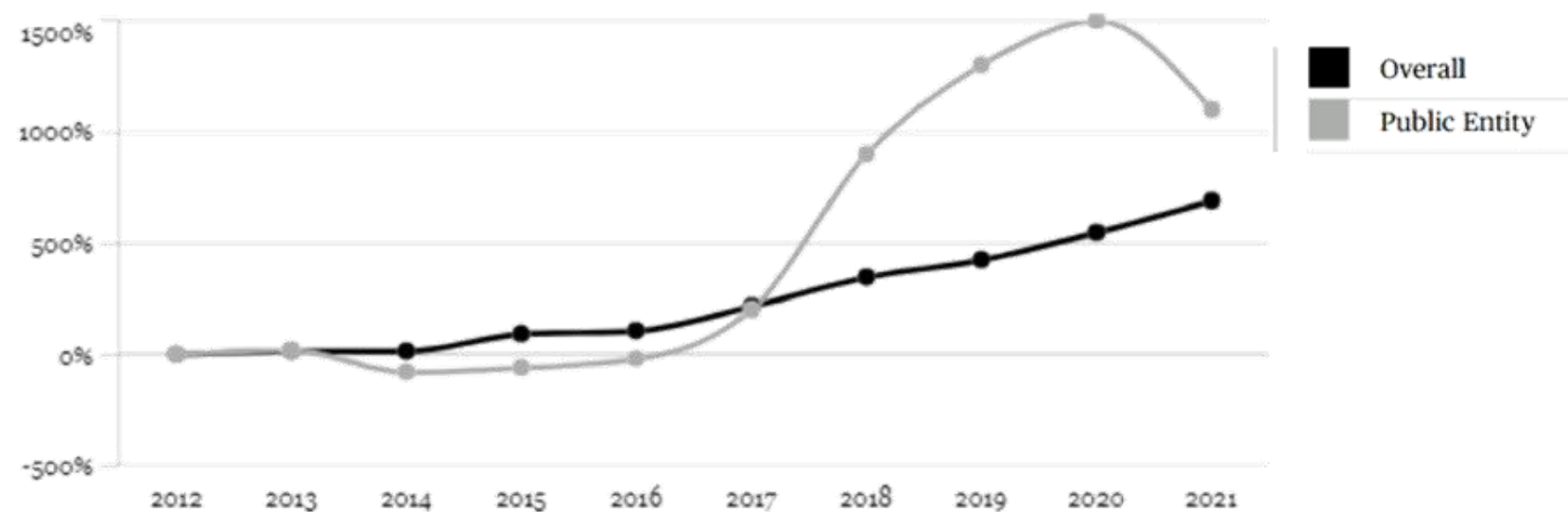


Coverage and Deductibles

Both coverage sub-limits and deductibles continue change. Insurers are often looking towards organizations to take on more risk in the form of higher deductibles to combat attritional losses and promote better control practices. For problem areas identified by insurers we are seeing sub-limits or co-insurance clauses placed on policies.

Insurer Impact

Claim trends – Overall vs Public/Govt Entities

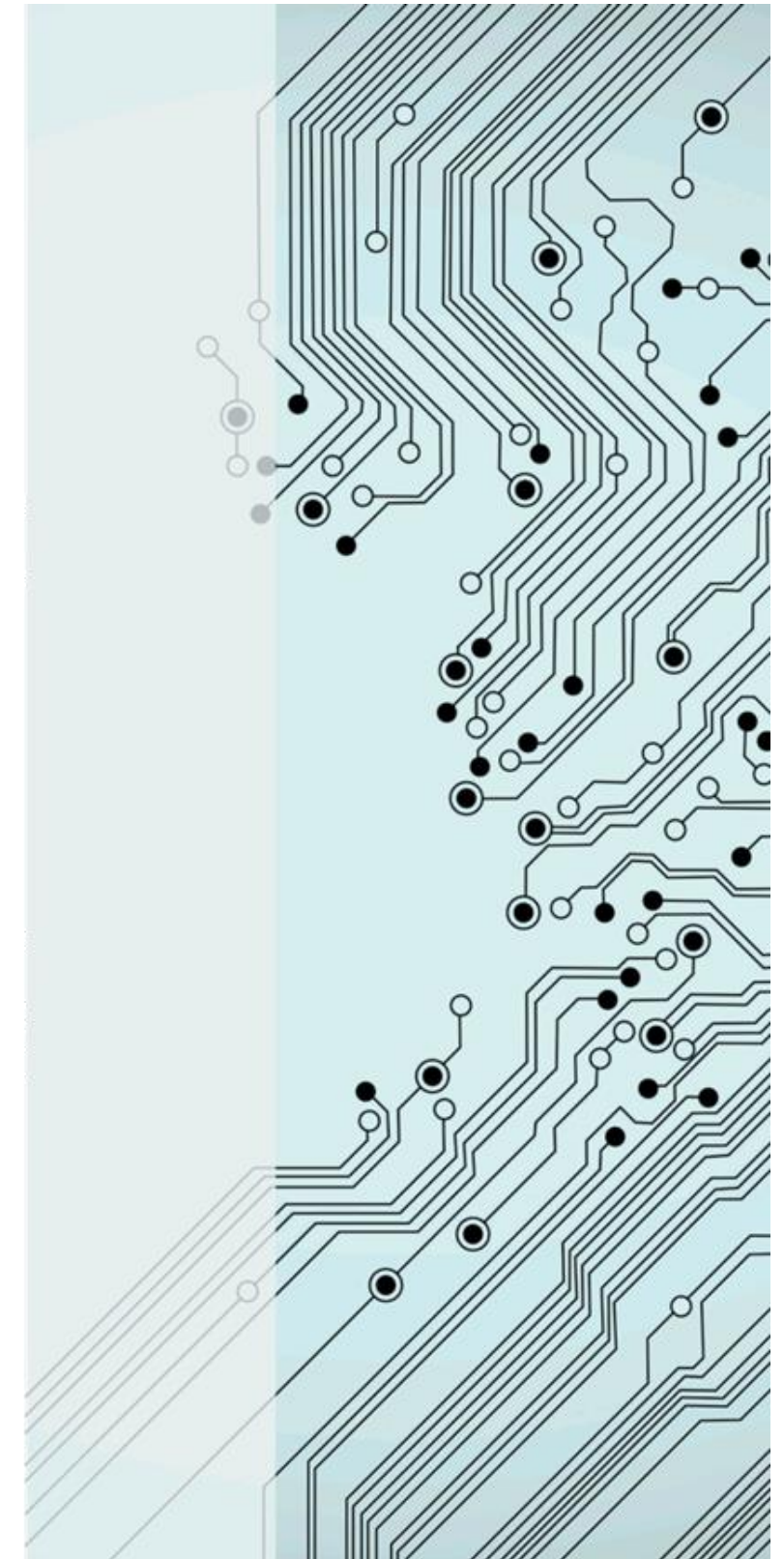


AON

2021 Renewal Recap

Major Market Correction

- Irrespective of industry, 2021 was a year of significant correction in the global cyber insurance market – local government impact more pronounced.
- Price increase only one factor – information requirements, limit shrinking, deductible increases and overall aggregates all under the spotlight.
- Onus has firmly shifted to the insured to demonstrate adequate cyber security posture to obtain the cover that they desire.



2021 Renewal Recap

Impact for Local Government Group

- The insurer matched their minimum controls against a 3-level rating system to indicate coverage options available:
 - **Green** – full coverage available
 - **Yellow** – coverage available with restrictions
 - **Red** – no coverage offered

14

Rated as Green

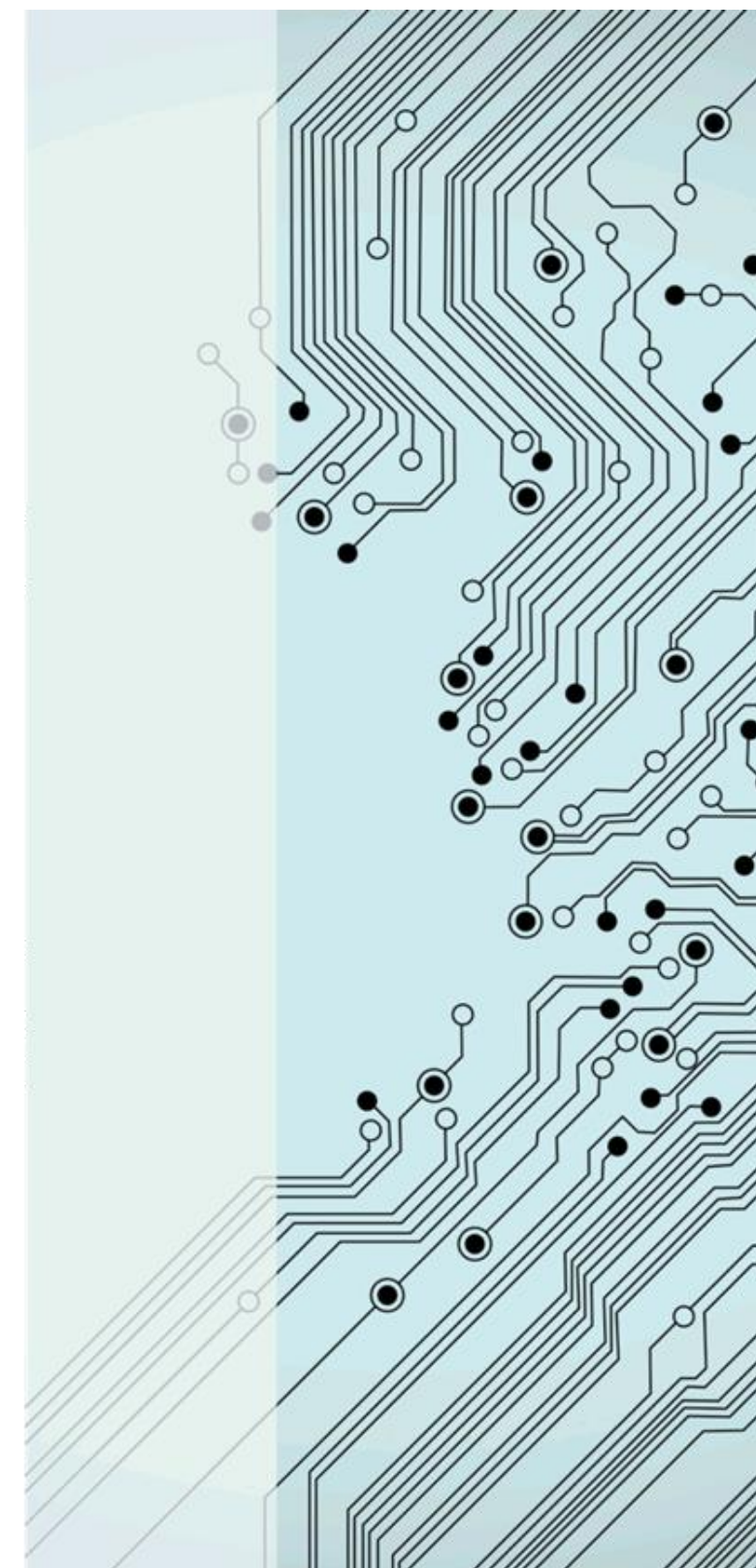
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Rated as Yellow

6

Rated as Red

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2022 Strategy

Cyber renewal strategy to
secure coverage



Renewal Process

Cyber Renewal 2022

Renewal Timeline

Feb '22

Strategy
Discussion

Apr '22

Data collation
regarding 6-
month submission

(with respect to yellow/red rated councils)

May '22

Presentation of mid
year submission &
insurer review

Aug '22

Begin renewal
submission
process

Sep '22

Present
submission and
negotiate terms

Oct '22

Confirm
renewal

Ongoing council improvement to meet desired controls

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Renewal Expectations

Cyber Renewal 2022

Coverage Availability

- Strong indications from the insurer that 3 level system unlikely for 2022 with a push for risks to meet minimum controls (effectively move yellow to green) to enable coverage.

Aggregation Concerns

- As seen market-wide, insurers are actively exploring methods to reduce aggregated risk. We are likely to see moves toward an aggregated total limit across the council group (circa \$20mil).

Deductible and Sub-Limits

- In line with changes market-wide, we can expect a deductible increase (mainly for current low deductible group) as well as the implementation of sub-limits for sections like ransomware and dependent business interruption.

Pricing

- 2021 saw a sharp correction in premium, particularly for the yellow level councils. It is likely the coming renewal will resemble closer to the market standard increase then specific loading.



Renewal Submission

Understand and Communicating Cyber Risk

Submission Focus

- To collate and communicate the overall cyber posture of each council to adequately address the insurer requirements and concerns.

Submissions to Capture

- Directly address granular insurer question sets regarding measurable security controls
 - Where a standard is not met offer information as to why/alternate plans in place to mitigate risk
- Confirm proposed bodies of work identified in 2021 have been completed
- Summarize any further IT security works completed, ongoing or planned
- **Demonstrate segregation where possible and outline controls to mitigate any shared risk**
- Understanding councils key risk vectors and how they are specifically mitigated
- Integrating any third-party cyber audit/advisory work that has been completed



Minimum Controls

Key Areas to Address

Multifactor Authentication (MFA)

- Is it utilized across the entire enterprise? What protocols are set around privileged access?

Endpoint Detection and Response (EDR)

- Is it utilized across the entire enterprise? What percentage of workstations have EDR?

Security & Privacy Training/Education

- What training/education is provided around data and IT security? (eg phishing simulations, data storage education etc)

Legacy Systems/End of Life Systems

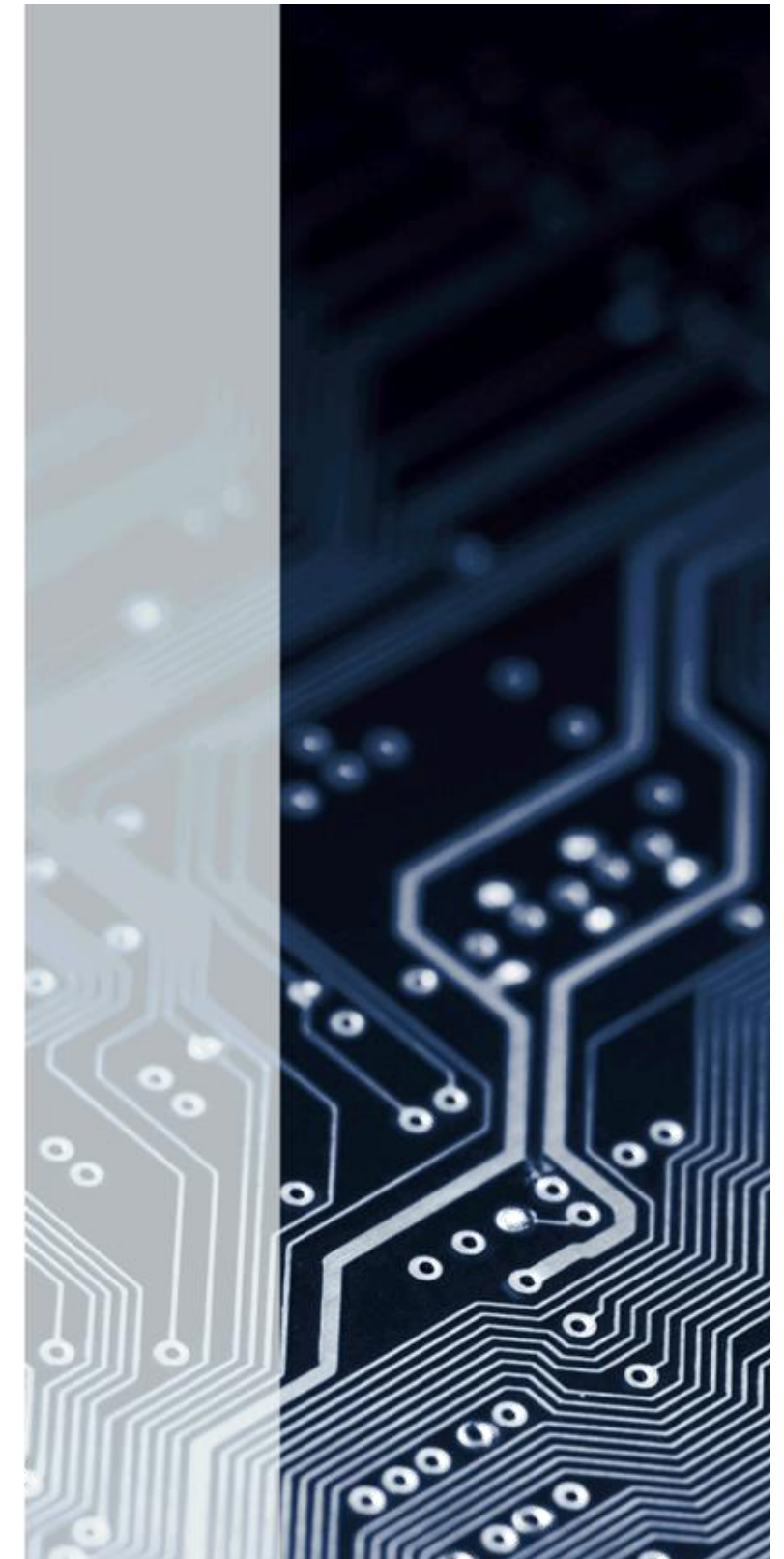
- Are there any in place? If so, what controls are utilized (segregation, MFA etc)

Patch Management

- Patch management procedures in place, high patching rate desired

Business Continuity and Incident Response Plans

- Plans in place the address continuity and response for a cyber incident



Current and Future Considerations

Improving Cyber Posture and Insurability

Moving from Yellow to Green

- Whilst the previous slide is a general overview, adequately address those controls will be vital to move to the green level (insurable). The Aon team is available to work through what the insurers require to meet each control standard.

Sharing Supporting Information

- Making available to Aon (where sensitivity allows) information on work completed with regards to audits, reviews, planning and general IT security initiatives. This will positively contribute and support building robust cyber submissions to satisfy insurer concerns.

Understanding Cyber Impact

- Via Aon Global Risk Consulting (AGRC) we offer varying services to analyze and quantify how a cyber incident can impact an entity. We are currently working with AGRC to establish an offering suitable to the council groups needs.



AON



Questions?

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Thank You



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15

Risk and Assurance Committee
Standing Committee

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

Scope of activity

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

Power to act

The Committee has the power to:

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

Power to recommend to Council

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

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

Delegation of powers

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

Limits on authority

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

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



INVESTMENT AUDIT REPORT

Procedural Audit of Taupō District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section
95(1)(e)(ii) of the Land Transport Management Act 2003.

Caroline Reddie

15 March 2022

Final

Report Number: RACRI-2178

Audit: Taupō District Council

Approved Organisation (AO):	Taupō District Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$15,383,400.00 (budgeted programme value)
Date of Investment Audit:	14 th – 17 th February 2022
Auditor(s):	Caroline Reddie - Senior Investment Auditor
Report No:	RACRI-2178

AUTHORITY SIGNATURES

Prepared by:



Caroline Reddie, Senior Investment Auditor

Approved by:



Yuliya Gultekin, Practice Manager Audit & Assurance

6/5/2022

Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

Report Number: RACRI-2178

Audit: Taupō District Council

EXECUTIVE SUMMARY

Waka Kotahi NZ Transport Agency (hereafter Waka Kotahi) funds the Taupō District Council's (the Council) land transport activity through its National Land Transport Programme (NLTP). Taupō District Council has a road comprising of approximately 709 km of sealed carriageway and 73 km of unsealed carriageway and includes all the road reserves of public roads vested in the Taupō District. As Taupō is a strong tourist destination there are heavy traffic loadings especially during the summer months that demand high safety standards and minimum disruption to traffic and pedestrian movements.

Claims for funding assistance for the four financial years 1 July 2017 to 30 June 2021 were reconciled with difficulty against the Council's General ledger. Transaction testing showed that not all eligible transactions have been claimed. Transaction testing of work category 113 has showed the correct 30:70 percent split for street cleaning requirements. The balance of the retentions account was confirmed and there were no outstanding retentions being held by the Council.

There is one outstanding Procedural audit and 3 outstanding Technical audit recommendations for improvement resulting from the previous audit of June 2018. This audit will address the outstanding Procedural audit recommendation relating to road safety audits exemption declaration completions and keeping these on Contract files, but please note the 3 outstanding technical audit recommendations still need addressing.

There is a current endorsed Procurement Strategy on file that expires in December 2022. Five Physical works contracts were reviewed for compliance with Waka Kotahi approved procurement procedures and contract management processes. The Procurement review was completed with areas of recommendation and suggestion noted.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	Some Improvement Needed
2	Financial Processes	Significant Improvement Needed
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Effective
Overall Rating		Some Improvement Needed

* Please see Introduction for Rating Assessment Classification Definitions

Report Number: RACRI-2178

Audit: Taupō District Council

RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Taupō District Council:		Implementation Date
R2.1	Implements a process for ensuring the Job Ledger and General Ledger are reconciled on a regular basis.	1 July 2022
R2.2	Provides Waka Kotahi with reconciliation documentation to support its final claim for 2021/22.	30 July 2023
R3.1	Advertises its tenders through GETS as defined in section 10.6A of the Procurement Manual and Government Rule 56.	From July 2022
R4.1	Ensures all required documentation is filed for contracts including road safety audits and exemption declarations.	From July 2022
FR4.2	Implements a process for ensuring all procurement and contract management documentation is retained on the Council's files.	30 August 2022

Report Number: RACRI-2178

Audit: Taupō District Council

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that the Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) investment in Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

1.3. Council Comments

Report Number: RACRI-2178

Audit: Taupō District Council

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

There were six recommendations identified during the last joint technical/procedural audit of June 2018. There is one outstanding procedural requirement and 3 outstanding technical requirements.

This audit will address the outstanding Procedural audit Q.4 but please note that the other three outstanding technical audit recommendations Q.6, Q.7, and Q.8 need addressing (or will be addressed through the next technical audit

	Recommendations
Q.1	Provides information detailing how it is responding to the 2008 Technical Audit recommendations.
Q.3	Amends its Procurement Strategy to address Transport Agency policy requirements introduced for professional services delivered in-house.
Q.4	Confirms road safety audit exemption declarations will be completed and kept on contract files.
Q.6	<ul style="list-style-type: none"> a) Provide assurance to the Agency that unsealed road maintenance practice complies with the contract and that the unsealed network meets agreed levels of service and is safe for the travelling public. b) Review data quality in light of the audit findings (maintenance cost) and recent reports from dTIMS and REG. Identified improvements are incorporated in the 18-21 AMP Improvement plan and delivered in a timeframe agreed with NZTA System Design and Delivery, Hamilton.
Q.7	Provide evidence to the Transport Agency that the 18–21 Activity Management Plan improvement plan actions are completed to plan and on time.
Q.8	Review the REG Data quality report and identify and resolve data gaps in RAMM to improve quality.

Taupō District Council's comment

Council provided Waka Kotahi with updates to the outstanding actions from the last audits in January 2022 along with a copy of the improvement plan from the AMP. The email content can be found in the Appendix below.

Report Number: RACRI-2178

Audit: Taupō District Council

2. Financial Processes**Significant Improvement Needed**

Council maintains a job costing ledger which integrates with its General Ledger. Claims for funding assistance for the four financial years 1 July 2017 to 30 June 2021 were reconciled back to the General Ledger with difficulty and the submitted final TIO claim did not match the Ledger.

Council acknowledges that when final TIO (Transport Investment Online) claims are prepared not all transactions have been reconciled back to the General Ledger. This results in the final claim not matching the General Ledger and this highlighted areas where Council has underclaimed. Council confirmed that not all eligible funding is being claimed from Waka Kotahi due to Council's end of year process for submitting final TIO claims.

However, even though Council is already aware of process issues when submitting the end of year final TIO claims, the two ledgers must reconcile given the investment audit focuses on verifying eligible expenditure claimed against an approved organisation's General Ledger. Moving forward, Council must address this area and provide a clear audit trail for the financial assistance claims to its General Ledger.

Transaction testing was completed against Council's financial records for invoices funded by Waka Kotahi with noted unclaimed invoices due to the end of year final claim process. Transaction testing of WC113 showed the 30:70% split for street cleaning requirements was correctly applied.

The retentions account is reconciled monthly. The balance of the retentions account was confirmed and there are no outstanding retentions being held.

Recommendations

We recommend that Council:

R2.1 Implements a process for ensuring the Job Ledger and General Ledger are reconciled on a regular basis.

R2.2 Provides Waka Kotahi with reconciliation documentation to support its final claim for 2021/22.

Taupō District Council's comment

Due to the early close off required to submit claims to NZTA, we have often not received all the invoices relating to roading, this means that we estimate some accounts or possibly miss some accounts in our calculations. Once these invoices are processed for their actual amounts, there will always be a difference. We also (up until 30/6/21) DO NOT run a job costing system for roading, all invoices were coded directly to the general ledger, The only reconciliation required is between the GL and the claim.

We acknowledge that the system of accruing expenditure is not accurate, and we will move to improve this so that claims are more accurate.

We have since moved onto a new accounting system which uses a work system, and we will ensure that works & GL systems reconcile.

* * *

Report Number: RACRI-2178

Audit: Taupō District Council

3. Procurement Procedures**Some Improvement Needed**

Taupō District Council has a current Waka Kotahi endorsed Procurement Strategy that expires on 5th December 2022. Council will need to ensure a new endorsed Procurement Strategy is available before the expiry date.

Five Physical works contracts were reviewed for compliance with Waka Kotahi approved procurement procedures. All complied with the exception of the Council using Tenderlink to advertise its Tenders. Advertisements must be through the Government Electronic Service (GETs) primarily, as required in Section 10.6A of the Procurement Manual. Council can still advertise in Tenderlink as a secondary option.

Recommendations	We recommend that Council: R3.1 Advertises its tenders through GETS as defined in section 10.6A of the Procurement Manual and Government Rule 56.
Taupō District Council's comment	Noted Recommendation will be implemented.

* * *

4. Contract Management**Some Improvement Needed**

Council is using an electronic storage process for managing its contracts. There was evidence of some contract management activity, however not all files were available when requested.

A sample of contract variations was requested where the final cost is greater than the let cost. There was difficulty in finding the files and many were incomplete:

- Council was unable to provide all the monthly meeting reports as stipulated in their contracts
 - Reports provided were named Site Inspection reports.
 - Minutes to confirm any contract variations agreed on by Council and the Contractor

We suggest that Council implements a process for ensuring all procurement and contract management documentation is completed and filed.

Recommendations	We recommend that Council: R 4.1 Ensures all required documentation is filed for Contracts including road safety audits and exemption declarations. R 4.2 Implements a process for ensuring all procurement and contract management documentation is retained on the Council's files.
Suggestions	Taupō District Council implements a document checklist to ensure contracts have all required documentation on file including a final cost for the activity/project against the tendered cost. This will align Council process with Government Procurement Rules, and in particular Rule 2 – Integrity (safeguarding the integrity of procurement activities and processes).
Taupō District Council's comment	A contracts manual is being developed that includes checklists to ensure 4.1 & 4.2 recommendations are adopted

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* * *

5. Professional Services		Effective
Council has an agreement with their business unit for professional services. The agreement contains dollar (\$) amounts for different services provided. Whilst the hourly rates were within reasonable tolerances, the document does not identify the overhead allocation methodology used to determine these rates in the agreement.		
Suggestions	We suggest that Council: Includes the overhead allocation methodology to their agreement and reviews the costs for in-house professional services to ensure these services are claimed at the correct rates.	
Taupō District Council's comment	Noted recommendation will be implemented	

* * *

Report Number: RACRI-2178

Audit: Taupō District Council

3. APPENDICES

APPENDIX A

Council Feedback

**Taupo District Council
2021**

Last updated Oct

Waka Kotahi Audit recommendations and actions from 2018

	Recommendations	Timeframe/comments
Question 1	Provide information detailing how it is responding to the 2008 Technical audit recommendations.	Target date 30 June 2019
	<ol style="list-style-type: none"> 1. Amend the current values in its Road Asset & Maintenance Management (RAMM) database default surface life table to values that reflect the location conditions and/or achieved pavement life. 2. Reassess the maintenance programme spend, in particular the escalation allowance to, ensure no decline in the level of service provided by the roading asset. 3. Consider amending its Engineering code of practice to require the use of asphaltic concrete (AC) surfacings in industrial areas/developments. 4. 5. Adopt and act on the findings of the 2008 RISA review. 6. Review the current traffic count data in its RAMM database. 7. Consider an allowance in future maintenance programmes for the progressive replacement of degraded/cracked kerb and channel in conjunction with pavement rehabilitation works. 	<p>Use of dTIMS on regular basis</p> <p>Need to develop AC policy still to understand how we will reseal AC surfacings in the future.</p> <p>Completed – strategy developed by BECA and counting programme commenced May 2021, some delays in counts due to Covid-19.</p> <p>Have allowed some kerb and channel funding for replacement in drainage renewals.</p> <p>Still to action.</p>

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	8. Consider implementing a programme of accessway seal backs to ensure that all rural vehicle entranceways serving a dwelling of service area are sealed back to the legal boundary.	
Question 2	Taupo District Council should be claiming it's administration costs for managing its land transport programme.	Effective
	<p>The methodology for claiming the administration costs has been as follows.</p> <p>To develop timesheets for each of the transportation team or those that work on any part of the subsidised land transport programme. These timesheets were kept by each staff for a period of 3 years during the NLTP 2018 to 2021 to give a full NLTP record. During this time the hourly rates were reviewed as part of the business agreement review and while we are no longer required to have a business unit the hourly rates of staff were updated. Working with our finance team, the time recorded in the timesheets have been linked to a specific GL financial codes or project codes which aligns with the specific NZTA activity codes/project codes. This gave us a good record of what costs were being spent by each staff against each GL code and the total was also included in the Network and asset management code 151. Timesheets will be continued to be used for the next 3-year period to monitor subsidised expenditure. See screenshot of timesheet below for reference.</p> <p>Note these timesheets also assist with capitalizing staff time against projects.</p>	<p>Target date 30 June 2019</p> <p>Status - completed</p> <p>Began recording timesheets from 1 July 2018 and completed June 2021. Included in 2021 AMP.</p>
Question 3	Taupo District Council to amend its procurement strategy to address Transport Agency policy requirements introduced for professional services delivered in-house.	Effective
	An approved organisation's procurement strategy for a programme of work, funded from the NLTF, must address how professional services will be resourced, including whether to undertake these services in-house. Purchasing the right professional services at the right time, under a sound supply arrangement, is critical to obtaining	<p>Target date 30 June 2019.</p> <p>Status - completed</p> <p>Procurement strategy updated and approved by WK December 2019.</p>

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	<p>the best value for money spent. An approved organisation's procurement strategy should provide the strategic context for the decision and support any application for approval sought from the Transport Agency to undertake professional services in-house.</p> <p>In-house professional services do not require the use of an approved procurement procedure.</p>	Note: Will need to have another review soon.
Question 4	Taupo District Council confirms road safety audit exemption declarations will be completed and kept on contract files.	Some improvement needed.
	<p>All road projects on all types of roads require road safety audits at project milestones.</p> <p>Concept</p> <p>Scheme</p> <p>Detailed design</p> <p>Pre-opening or post-construction.</p> <p>Not all projects require all stages to be safety audited. If it is decided not to proceed with a safety audit for a particular project or phase then it needs to be documented by the asset manager or nominated rep.</p> <p>Will need to review the projects in 20/21 to see what safety audits were completed and complete forms.</p> <p>Will need to look at all our projects for year 2021/2022 and what type of safety audits will be required for each. For the past financial year we will review and see if we need to undertake post construction bearing in mind we will still need to complete exemption forms for each phase not completed.</p>	<p>Target date 30 June 2019</p> <p>Status: Not completed, still to action.</p> <p>See example of exemption form below.</p>
Question 5	We suggest Council review its in-house professional services activity costs, overheads and administration costs.	Effective
	See response for question 2.	Status: Completed
Question 6	Provide assurance to the Agency that unsealed road maintenance practice complies with the contract and that the unsealed network meets agreed levels of service and is safety the travelling public.	Some improvement needed

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Response	<p>The Audit team visited Taupo 11th to 14th of June which is mid-winter. We do acknowledge that some of the unsealed roads were in poor condition with potholes and in places did lack cross-fall and adequate metal. The weather however at that time and leading up to the visit had been very wet. This had restricted the maintenance work that could be done on our unsealed roads.</p> <p>In addition, the road maintenance contract had just been retendered and awarded to a new contractor in the month prior to the visit. The loss of the contract resulted in a loss of interest by the incumbent (who still had 4 months to run) and a number of their key staff moved on which affected their performance.</p> <p>Since the technical audit council has implemented a new project management regime.</p>	<p>Target date 30 June 2019</p> <p>Status: update to be provided.</p>
Question 6	<p>Review data quality in light of the audit findings (maintenance cost) and recent reports from dTIMS and REG. Identified improvement are incorporated in the 18-21 AMP improvement plan and delivered in a timeframe agreed with NZTA System Design and Delivery, Hamilton.</p>	<p>Target date 30 June 2019</p>
	<p>dTIMS was run again in 2020 and outcomes were used in the development of the 2021 AMP.</p> <p>Pedestrian and planning guide has been added to the AMP and is referenced in the footpath section of the AMP and we are aware this document is under review.</p> <p>Stock underpasses are now included in our bridge inspection list and inspected every 2 years.</p> <p>High shoulders on rural roads will be done as is required.</p> <p>AC policy on urban roads needs to be developed. Transport team to progress this.</p> <p>REG reports are reviewed regularly and are produced prior to audit. Taupo was invited to be a case study.</p> <p>Traffic counting strategy was developed and following this an annual traffic counting programme was started in May 2021.</p>	<p>Status: Completed.</p>

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	Maintenance cost tables – confirm that maintenance cost data	
Question 7	Taupo District Council provide evidence to the Transport Agency that the 18-21 Activity management plan improvement plan actions are completed to plan and on time.	Effective
	The improvement plan has been updated with completed and ongoing actions.	Target date 30 June 2019 Status: Completed
Question 8	Taupo District Council to review the REG Data quality report and identify and resolve gaps in RAMM to improve quality.	Some improvement needed
Response from TDC	<p>The concerns around data were really highlighted to us in the first REG AM data quality report, although we were aware of issues following the work we had done dTIMS 2 years prior. Following receipt of that first report our Manager Asset Information was tasked with developing an improvement programme. A copy of the programme was provided. The improvements undertaken to date have seen a significant improvement in our AM data quality score and attached the latest report (draft). We recognise however that there are still improvements to be made.</p> <p>In 2021, the latest score is 76 an improvement from the previous year of 69 which was low due to no traffic counting programme.</p>	<p>Target date 30 June 2019</p> <p>Status: Completed</p> <p>REG reports are reviewed on an annual basis. Still some work to do on the treatment lengths and are working with the Asset Information team on this.</p>
Question 9	Is safety performance understood and being well managed by Taupo District Council?	Effective
	No recommendations were made for this section however we need to adequately resource the delivery teams and ensure appropriate time is included for consultation.	

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PPENDIX B**Audit Programme**

1. Opening meeting
2. Previous audit June 2018
3. Land Transport Disbursement Account
4. Final Claims for 2018/19, 2019/20, 2020/21
5. Transactions (accounts payable)
6. Retentions Account
7. Procurement Procedures
8. Contract Variations
9. Contract Management & Administration
10. Professional Services
11. Transport Investment On-line (TIO) Reporting
12. Other issues that may be raised during the audit
13. Close-out meeting

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Audit: Taupō District Council

APPENDIX C

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
1718/219	4	1 October 2018	Road Maintenance and Resealing 2018 - 2024	Inframax Construction Limited of Te Kuiti	Estimate Let Price Final Cost	\$34,135,000.00 \$26,700,092.34 Ongoing
1819/272	4	1 February 2020	Miro Street, Taupō Rehabilitation	Waiotahi Contractor Ltd	Estimate Let Price Final Cost	\$920,764.50 \$857,206.15 \$872,076.68
1718/227	2	1 July 2018	Taupō CBD Pedestrian Public Space Upgrade for Paora Hapi / Ruapehu St, Intersection	Higgins	Estimate Let Price Final Cost	\$301,994.00 \$372,914.23 Ongoing
1718/228	4	1 July 2018	Street Light Maintenance	Horizon Networks Ltd	Estimate Let Price Final Cost	\$819,900.00 \$1,016,141.06 Ongoing
1718/240	2	11 February 2019	Poihipi Road & Tirohanga Seal Widening	Schick	Estimate Let Price Final Cost	\$873,091.25 \$926,800.97 \$1,017,225.12 Pay cert PP8 (IA225350)



MINISTRY FOR PRIMARY INDUSTRIES

RECOGNISED AGENCY ASSESSMENT REPORT

Taupo District Council

Reassessment

24 May 2022

IANZ, April 2022

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



ASSESSMENT REPORT

Organisation Details

Organisation:	Taupo District Council
Address:	46 Horomatangi Street, Taupo
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Assessment Team

Lead Assessor:	Jennifer Foley
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Report Preparation

Prepared by:	Jennifer Foley
Checked by:	Melinda Sampson
Date finalised:	30 May 2022



Introduction

This report relates to the Recognised Agency Reassessment of Taupo District Council which took place on 24 May 2022. 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 continued to meet the requirements for recognition as an agency to conduct registration, verification compliance and monitoring activities. 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.

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;
- An on-site assessment of the implementation of the submitted QMS at Taupo District Council

Taupo District Council (TDC) demonstrated good ownership and responsibility for its operations. This was evident from a review of performance indicators such as open verifications, overdue verifications and registration data. The agency had a well developed and implemented QMS and this was being reviewed and updated on an ongoing basis. TDC were seen to be committed to providing competent and consistent services.

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



Observations

Staffing

The agency was undertaking about 215 verifications annually. TDC had six recognised persons. All verifiers were recognised persons and there were no verifiers working under the agency's exclusivity. Three of the verifiers listed on the MPI register for TDC were contractors. TDC explained that Peter Mittermuller and Tessa Clarke (from TP Solutions) had not worked for the agency in some months. Verification work was up-to-date and it was unlikely TDC would need to use these contractors in the near future. TDC had notified MPI of this fact. However, maintaining these verifiers on the MPI register was not too much of a concern as TDC demonstrated that it had robust systems in place to manage contract verifiers. Craig Smith (from A+ Food Safety) had more recently been undertaking verifications for TDC. This contact arrangement had worked well for TDC for a number of reasons. This includes the fact that the verifier was located within a reasonable distance to TDC which was advantageous. If the need arose, this verifier would likely be used again.

Although there were no verifiers working under TDC exclusivity, the council had a recruitment process that required police and reference checks. This was comparable to the 'fit and proper person test' that a person would go through if they applied to be recognised by MPI. The agency had two Food Safety Officers (FSOs).

A training summary document was in place that was used to record what training and qualifications verifiers held. This form would also be used to capture the food sectors the verifier was approved for. TDC had a system where verifiers could 'apply' for approval in different food sectors. This would require the verifier to record reasons to support the approval in the application. Reasons could include training, experience, qualifications etc. This application would be reviewed and signed off by the team leader. The process seemed appropriate and the templates developed were suitable to support this. However, the detail recorded in the forms was sometimes generic and not related to specific competencies. The agency should try and match the verifier's training and experience against specific requirements. See **R1**.

The competency requirements applied equally to contracted verifiers and TDC provided evidence that it had assessed the competence of its contract verifiers and that appropriate records were maintained.

Resourcing

TDC had a document that included performance expectations for timeframes and turnaround times. This included expectations for administrative tasks, report completion, and Titiro reporting. While the agency explained that the timeframes were not rigidly enforced, it did serve as a useful guideline on agency expectations.

The assessment confirmed that TDC was managing resourcing appropriately, as evidenced by the review of overdue work. The agency confirmed that it had the support of Council management. This was necessary to ensure the agency was meeting its obligations under the Food Act.

TDC provided detail on the use of Technical Experts (TEs). This was not a regular occurrence, but the report for one recent verification was provided. This indicated that a TE was included.

A review of work showed that the agency was raising non-compliances and unacceptable outcomes during verifications. This was appropriate as it is expected that verifiers will encounter such situations during the course of work. TDC explained that in most cases, verifiers were encouraged to make difficult decisions in consultation with other verifiers or management. Difficult decisions did not necessarily have to be made on-site when there may be pressure on the verifier. This was appropriate, as for significant decisions, it is important to confirm that others are in agreement or that they would have reached the same conclusion.

Assessment of training needs was undertaken routinely by TDC at six-monthly intervals. Training opportunities and needs were also discussed at team meetings. TDC provided detail on training that had been completed and also on the upcoming events that were planned. This demonstrated that ongoing training opportunities were being provided and facilitated. Records of CPD were reviewed and confirmed that this process was being completed by TDC verifiers also.

TDC was maintaining a number of thermometers and data loggers and a scheme for having these externally calibrated was in place. This was being implemented. However, TDC may wish to consider if a review of the calibration requirements would be beneficial. See **R2**.

Conflicts of interest

The QMS included a large amount of information on conflicts of interest. This included detail on expectations, potential and real conflicts and the systems for managing these. TDC also had a publically available conflict



of interest policy on its website. Where a conflict was identified, a Conflicts of Interest Form would be filled in and assigned to the Environmental Service Manager for review and action as required. A register was also maintained and some recent examples were reviewed that demonstrated the process. Team meeting minutes were provided that showed this was covered as an agenda item also.

Confidential information

Confidentiality was included in the QMS. Food businesses registered with TDC would complete an online application form and TDC demonstrated how this worked. Part of this process provided the customer with the terms and conditions, including information on confidentiality. Employment contracts included terms for confidentiality. The QMS referred to an IT audit system that was undertaken by Audit NZ. These audits reviewed the systems for ensuring data was maintained securely, including registration, verification and enforcement data. Regular training on IT and data security was provided and one of the Council's IT representatives confirmed this. Contractors were not given equipment to use but their access to the TDC systems was limited and they were required to use two-factor verification.

Non-compliance and corrective action

The QMS had comprehensive and clear detail on non-conforming and non-complying topics, including when to assign these and what to consider to determine if a topic met the criteria. Corrective Action Requests (CARs) would generally be raised for all non-conforming and non-complying topics. There was one verification report where the assignment of CARs and topics was not very clear and this is included as **R3**. This was the only issue sighted during the verification report review carried out during this assessment.

A review of the CAR management system was undertaken. The agency was managing this well and this was evident from the fact that there was only one outstanding CAR past the original due date. In this case, there was evidence that TDC was working with the food business regarding this. This was a markedly lower number of open verifications than other verification agencies, based in the data in Titiro/MAPs.

Overdue work

A review of overdue verifications was completed. TDC demonstrated the system it used to track and schedule verifications. This was effective as the number of overdue verifications was low. Data on verifications was pulled from Magiq into a PDF file. Verifications were crossed off when they were booked or completed. Comments could be entered in and verifications highlighted to record important information. There were a small number verifications that were appearing as overdue on Titiro. One case was for a site that had been incorrectly entered while the other was a case where TDC was incorrectly listed as the verification agency by another Territorial Authority. These were both addressed during the assessment.

Complaints and disputes

The process for receiving, investigating and managing complaints was documented in the QMS. This was clear and would allow the process to be followed consistently by the agency. Complaints were recorded in a register that was maintained in Objective No complaints had been received since 2020. TDC did indicate that some food businesses might query costs and these situations were managed on a case-by-case basis. TDC showed the updates it had made to its QMS to address the requirement for an appeals process in the Food Act. TDC had requested review of the legislative requirements by its legal counsel and had made changes based on the feedback it had received. However, the appeals system had not yet been used as there had been no appeals received.

Internal management & Review of performance

The previous assessment in 2021 of TDC did not identify any non-conformities. Instead, three observations were raised and TDC could demonstrate that these were actioned using its continual improvement process. One of the continual improvements had resulted in a new audit template that was developed to review verification reports. However this type of audit had not been implemented yet. This is included as recommendation **R5**.

An internal audit schedule was maintained and provided for review. This was up to date and indicated the due months for audits. TDC had recently updated its QMS to include better detail on registration and how to manage this. The intention was that registration would also be included in the audit programme. Audits were carried out throughout the year and were broken down into the different parts of regulation 110 from the Food Regulations.

Audits were completed by a TDC employee from the building team which provided a level of auditor independence. The audits reviewed had comprehensive notes and evidence included. CARs from audits



were actioned via the CAR form in Objective. Areas for improvement could also be raised during audits and a process to action these was in place.

A management review process was in place and documented in the QMS. From reading the procedure and reviewing the records, it appeared that the management review was very similar in ways to the internal audit process. In particular, the review completed was looking for evidence that the management system was being implemented. The records reviewed were again comprehensive and it is not necessarily an issue if the management review and internal audit have similar aims. However, it is recommended that TDC review this. The management review is often a useful process to have a high level review of operations, systems and processes. The review looks for changes that might affect the agency and also looks to improve and develop things. See recommendation **R6**.

MPI would provide reports to TDC, which included performance data grouped with other agencies of a similar size. These reports provided further opportunity for TDC to review performance. A review of the most recent report indicated that performance was meeting and in some cases exceeding expectations.

Monthly QMS meeting minutes showed that the team was having regular meetings to discuss operational matters. TDC had a number of peer review processes in place. These were described in the QMS and TDC were able to provide evidence that these were occurring. A 6-monthly internal peer review was undertaken. This was then supplemented by an annual external peer review.

Contractual arrangements

The contract in place with A+ Food Safety was provided for review. The process for using contractors was described in the QMS and the records reviewed showed that this process had been followed in engaging A+ Food Safety. The contract was signed in 2022. The verifier assigned to TDC under this agreement held recognition under the TDC MPI recognition. TDC would contact the food business and book the verifications. The contractor would then undertake the verifications, report and manage any CAR clearance. The reports and verification records were managed using the TDC Datacom system, which the contractor was able to use also.

Reporting requirements

A selection of reports was reviewed and this generally indicated that the reporting requirements were being met. The reports had a standard template and included the required information. The reports reviewed had a number of places where verification topic outcomes would be entered. This was seen to be a potential risk as it could lead to incorrect information being reported. See **R4**.

Records

Verification records were generated electronically. The check sheets used by the verifiers would be prepared and annotated by the verifiers before going on-site.

Enforcement

A sample of recent enforcement and investigation actions was included. This confirmed that TDC was keeping records of such cases and that the decisions made were appropriate. File notes would be saved to the Objective and Magiq systems.

Registration

The process for managing expiring registration was working appropriately. TDC had no expired registrations and it had processes in place for following up with food businesses. TDC was also actively ensuring that businesses would only operate with a valid registration. The data in Titiro confirmed this also.



Assessment Findings

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.

Recommendations to Taupo District Council	
R1	<p>It is recommended that TDC continue to consider and develop the food sector sign off process. This should include consideration of the following:</p> <ul style="list-style-type: none"> • Making sure there is evidence to confirm fulfilment of sector specific processes, codes, standards, training courses, resources etc. • If some sectors might require a verifier to complete a specific shadow or peer review. • Not signing off contractors for sectors the agency does not need the contractor for, especially if the competency for that sector is not within the agency.
R2	<p>It is recommended that TDC consider and document its decisions on what type of calibration is required for its thermometers. There may be opportunities to legitimately extend external calibration frequencies in combination with internal checks. This could have cost benefits and also demonstrate good control of calibration requirements.</p>
R3	<p>The recent verification report for RBM TPD000161 had two non-complying topics that did not appear to be correctly represented. TDC should review this. As part of this, the grouping of topics together as one CAR should also be reviewed.</p>
R4	<p>It is recommended that TDC review its reporting template to see if simplifying this could be beneficial and reduce the opportunity for errors to occur.</p>
R5	<p>It is recommended that TDC follow up on the report peer review form that was developed as part of a continual improvement action, but did not yet appear to be implemented yet.</p>
R6	<p>It is recommended that TDC review how the management review process is being conducted to see if this can be made more distinct from the internal audit process.</p>

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.

Ineffective Relationship with the Community**May 2022**

Inherent Risk		
Likelihood	Consequence	Risk Rating
Almost Certain	Major	Extreme

Residual Risk		
Likelihood	Consequence	Risk Rating
Unlikely	Major	Medium

Action	Plan	Resolve by	Progress and Compliance Reporting	Status
Council annual and long-term plans with community consultation	Annual Plan Timetable 2022 - 23	28-Jun-22	As per timetable. No concerns regarding community consultation raised in interim and final report from Audit NZ for the 2020-2021 year	Fully Implemented
Undertake engagement in accordance with Significance and Engagement Policy	Ensure Significance and Engagement Policy 2021 - 24 is implemented correctly across the Council	Ongoing	Formal consultation has been taking place and recorded in meeting agendas and minutes, website history, and feedback received from the community.	Fully Implemented
Employment of Iwi and Co-Governance team	Employ an Iwi Co-Governance Manager and team to facilitate Iwi engagement	Ongoing	Structure in place and Iwi are being encouraged to participate and communicate their point of view.	Fully Implemented
Communication Strategies	Ensure communication strategy and actions plans are kept up to date and implemented consistently	Ongoing	Communication team regularly checking that the actions set out in the strategy are being undertaken.	Fully Implemented
Monitor external media sources	Continually monitor external media sources for information connected to Council activity	Ongoing	Daily reports are being provided by Isentia (external agency) and allowing the Council to take early action where needed	Fully Implemented
Communication Strategy	Development and implementation of communication strategy for the Council to ensure communication is delivered to the right people at the right times using the right medium.	Ongoing	Communication team regularly checking that the actions set out in the strategy are being undertaken. The strategy is quite specific on what needs to be done to improve Council's external and internal communications	Fully Implemented
Māori and area wards to ensure equitable representation on Council	2021 representation review and establishment of Māori Boards for the 2022 triennial elections	April 22 Implemented 8-Oct-22	To be confirmed	Partially Implemented (Plans for full implementation)
Providing local area representation	Replace Turangi Community Board with two new council committees, including one to be co-governed between council and Ngāti Tūrangitukua, the mana whenua (the iwi that holds authority) of the Tūrangitukua rohe (area) for 2022 triennial election	April 22 Implemented 8-Oct-22	To be confirmed	Partially Implemented (Plans for full implementation)
Monitoring of Council's performance	Resident and Ratepayer surveys undertaken to determine residents and ratepayers levels of satisfaction with Council's performance. Reporting to Council.	Aug-22	Taupo District Council User Survey undertaken by Versus research and report provided in July 2021. Increases across all KPIs apart from minor decreases (-1%) in library & venue satisfaction	Fully Implemented
Monitoring of external media channels	Monitoring of external media sources for early identification of issues being raised by members of the community to allow early intervention by the Council	Ongoing	Daily reports are being provided by Isentia (external agency) and allowing the Council to take early action where needed	Fully Implemented
Building community relationships	Employment of strategic partnership and community engagement teams to facilitate constructive engagement and communication in the community.	Ongoing	Increased levels of engagement from groups who have not traditionally participated in formal engagement and submission processes.	Partially Implemented (Plans for full implementation)

Failure to Attract and Maintain a Competent Workforce**May 2022**

Inherent Risk		
Likelihood	Consequence	Risk Rating
Almost Certain	Major	Extreme

Residual Risk		
Likelihood	Consequence	Risk Rating
Possible	Major	High

Action	Plan	Resolve by	Progress and Compliance Reporting	Status
Remuneration policy review	Review existing policy and update to reflect current market we are working in.	1-Jul-22	In progress. To be implemented for 2022/23 year	Partially Implemented (Plans for full implementation)
Shorten budget preparation timeframe	Financial budgeting timeframe brought closer to end of financial year to better reflect current financial position	Mar-22	Timeframes shortened for 2022 -23 annual plan budgeting	Fully implemented
Regular updates from the CEO and executive team to staff	Weekly Ko Tātou Tēneki news letter to staff. Copies of media releases to staff.	Ongoing	Weekly comms occurring with additional comms for special notifications. Survey completed Nov-Dec 2021 and results sent to executive and enterprise leaders to action. Not actioned consistently across organisation	Fully Implemented
Building or securing a new office space for all staff	Negotiations with Tuwharetoa for development of Ruapehu Street property.	Dec-24	Agreements signed and planned date for completion is 2023/24	Partially Implemented (Plans for full implementation)
Leadership development	Leadership development programme for enterprise leaders to increase their skills and effectiveness	1-Jul-22	To be implemented for 2022/23 year	Partially Implemented (Plans for full implementation)
Workplace surveys	Workplace engagement surveys and action plans for executive and enterprise leaders to increase engagement in their teams	Nov-22	Workplace survey completed Nov-Dec 2021 and results sent to executive and enterprise leaders to action. Not actioned consistently across organisation	Partially Implemented (No improvement plans)
Positive workplace relationships	Maintaining positive relationships with unions through regular consultation and engagement on employment matters	Ongoing	Consultation undertaken when required. New collective settled and no industrial actions or disputes.	Fully Implemented
Utilising EMA and other support groups	Using external employment experts for advice and assistance on employment related matters when needed to ensure compliance with legal requirements	Ongoing	No successful employment claims or disputes in the last 12 months	Fully Implemented
Adoption of the Way We Work philosophy	Implementation of the way we work philosophy into all aspects of how the organisation manages its employees	Ongoing	Workplace survey completed Nov-Dec 2021 and results sent to executive and enterprise leaders to action. Not actioned consistently across organisation	Partially Implemented (No improvement plans)
Utilising CIAnywhere HR module.	Implementing the talent and succession module in CIAnywhere HR software to identify and manage succession issues	1-Jul-22	To be implemented	Partially Implemented (Plans for full implementation)

Inadequate Preparation for Change (Unexpected Change)**May 2022**

Likelihood	Inherent Risk Consequence	Risk Rating
Almost Certain	Severe	Extreme

Likelihood	Residual Risk Consequence	Risk Rating
Possible	Severe	High

Action	Plan	Resolve by	Progress and Compliance Reporting	Status
Establish relationships with central government ministers and officials	Actively seek out and participate in working groups or any other group within local government that is directly involved in the proposed changes for local government	Ongoing	CEO currently involved in local government working groups who are working with the crown on numerous current and proposed changes	Fully implemented)
Submissions to government on proposed changes	Consult with subject matter experts and elected representatives, prepare, and submit submissions when government consults on changes	Ongoing	Ongoing process as the crown releases proposals and seeks submissions and feedback. Submissions reported to Council	Fully implemented
Additional training for staff.	Identify and provide training on proposed law changes for staff and elected representatives as needed	Ongoing	Staff are utilising information and training made available to keep informed and trained on proposed changes.	Fully Implemented
Employment of a climate change strategy specialist	Employment of a climate change strategy specialist, scanning/monitoring for up-to-date information	Ongoing	Currently undertaking this work and due for completion by the end of June 2022	Partially Implemented (Plans for full implementation)
Scanning/monitoring for up-to-date information	Scan/monitor information provided by government and/or other climate change specialists and incorporate findings into policies and procedures	Ongoing	Executive team have been and are regularly updated on trend or changes to the environment identified through this scanning or mentoring	Fully Implemented
Working in partnership with social agencies	Develop and implement partnerships with social agencies to ensure the Council understands the social environment and challenges within the district	Ongoing	Develop and implement partnerships with social agencies to ensure the Council understands the social environment and challenges within the district	Fully Implemented
Economic information provided via DGLT & Amplify	Ensure DGLT and Amplify are resourced sufficiently to enable the collection, analysis and reporting of critical economic information	Ongoing	Currently Amplify on target and DGLT going through a board reshuffle, but no issues have been raised while this is happening	Fully Implemented
Clear and consistent assumptions and planning documents	Development and implementation of clear and consistent assumptions and planning documents for all staff to use for any strategic planning they may be involved in	Ongoing	In place and all policies are subject to executive and policy review to ensure consistency.	Fully Implemented
Joint partnership agreements or memorandums of understandings with critical partners.	Development and implementation of joint partnership agreements or memorandums of understandings with critical partners	Ongoing	Manawhakahono agreement in place and various joint management agreements with Tuwharetoa, Raukawa, Te Arawa River Iwi Trust etc are in place or being worked on. Issues are being worked through as they arise	Fully Implemented
Elected representative election training.	Preparation of pre-election report, potential candidate election packs. Joining of LGNZ vote 2022 campaign. Prepare and implement post-election induction and training for all elected representatives.	Jun -22	Pre-election report completed and being reviewed by executive. Post-election training plan being finalised approved by executive	Partially Implemented (Plans for full implementation)

Legal Liabilities**May 2022**

Inherent Risk		
Likelihood	Consequence	Risk Rating
Likely	Major	High

Residual Risk		
Likelihood	Consequence	Risk Rating
Possible	Major	High

Action	Plan	Resolve by	Progress and Compliance Reporting	Status
Up to date SOPs	Develop, implement, and follow appropriate SOPs to ensure correct processes are followed when performing any function that directly or indirectly affects a third party	Ongoing	Inconsistent application across the organisation. Significant reliance on expertise of staff in areas	Partially Implemented (No plans for full implementation)
Performance management	Implement and maintain a performance management system for staff involved in activities that directly or indirectly third parties	Ongoing	To be implemented for 2022-23 year	Partially Implemented (Plans for full implementation)
Legal defences to claims.	Engage appropriate legal advice or services to manage appeals or legal claims	Ongoing	Currently taking place. Has been used for numerous specialised matters across the organisation	Fully Implemented
Indemnity insurances	Obtain and maintain indemnity insurances to transfer financial risks to a third party	Nov -21	PL, PI and SL insurances in place until Nov-22	Fully Implemented
Adequate numbers of trained and competent staff	Maintain adequate levels of trained and competent staff to ensure the council discharges its statutory responsibilities and fulfils its legal obligations	Ongoing	Some vacant positions but no identified claims or liabilities resulting from shortages in staff in past 12 months	Partially Implemented (Plans for full implementation)
Undertaking consultation and engagement for public policies, bylaws etc	Ensure consultation takes place in accordance with significance and engagement policy and statutory requirements	Ongoing	Taking place. No claims in past 12 months relating to failure to meet engagement and consultation requirements	Fully Implemented
Use of internal and external experts when needed and peer reviews	Consult with or engage the services of professional and technical experts when exercising statutory duties.	Ongoing	Consistent use of external experts to ensure Council meets appropriate statutory standards occurring	Fully Implemented
Procurement policy & procedures	Adoption and implementation of procurement policy that sets what procurement methods are to be used and how they are to be used.	Ongoing	Policy adopted and procurement practices following policy guidelines	Fully Implemented
Contract mediation or arbitration to resolve disputes	Dispute resolution provisions in all contracts	Ongoing	Dispute resolution provisions in written contracts.	Fully Implemented

Health and Safety at Work

May 2022

Inherent Risk		
Likelihood	Consequence	Risk Rating
Likely	Severe	Extreme

Residual Risk		
Likelihood	Consequence	Risk Rating
Possible	Major	High

Action	Plan	Resolve by	Progress and Compliance Reporting	Status
H&S Included in CEO & Staff KPIs	The CEO and all staff have specific KPIs for H&S in their job descriptions and KPIs to measure performance	Ongoing	H&S includes in CEOs performance management. Still to be included in KPIs for all leaders.	Partially Implemented (No plans for full implementation)
H&S performance reported to full Council	Regular reporting to the full Council on effectiveness of H&S practices employed by the Council and any current or emerging issues	Ongoing	Regular H&S reports to executive team and full Council	Fully Implemented
Damstra H&S software	Using Damstra H&S software to record H&S risks and identify and manage controls employed to manage these risks	Ongoing	Damstra in place and being used by staff to record and manage H&S risks and performance	Fully Implemented
H&S information on the council's intranet	All H&S information needed for staff to identify what they need to comply with H&S requirements is available and UpToDate on the intranet	Ongoing	H&S information is available on intranet for all staff. Currently being reviewed and updated where needed	Fully Implemented
Employee & contractor workplace H&S inductions	All new employees and contractors working at any Council site complete appropriate H&S inductions	Ongoing	New employee inductions being completed consistently. Contractor inductions are inconsistent across organisation.	Partially Implemented (No plans for full implementation)
Training for H&S reps	Providing H&S reps with appropriate training to ensure that can perform their roles adequately	Ongoing	All trained. Recruiting more	Fully Implemented
H&S handbook for management of contractors	Handbook for contractors to assist them to understand their responsibilities for H&S when working for the Council	Ongoing	Handbook on intranet. Currently being reviewed	Fully Implemented
Prequalification requirements for contractors	Identification of minimum proof of adequate H&S systems for contractors and enforcing these through pre-qualification.	Ongoing	Currently using Sitewise and other nationally approved prequal systems and in the process of updating handbook	Fully Implemented
Staff performance management system	Implement and maintain a performance management system for staff managing staff to ensure all H&S requirements are met	Ongoing	To be implemented for 2022-23 year	Partially Implemented (Plans for full implementation)
H&S management plans for worksites	Appropriate site-specific H&S workplans to be provided for all work sites under the control of the Council	Ongoing	Actively enforced and plans in place where required	Fully Implemented
H&S improvement notices, or orders as required	Issuing of notices by H&S reps or Worksafe to rectify unsafe practices or situations	Ongoing	Trained H&S reps.	Fully Implemented
Hazardous substances & working environment training	Identification of hazardous environments and substances and training of workers involved.	Ongoing	Recorded and managed through H&S system, Damstra	Fully Implemented

Failure to Maintain ICT Systems and Secure Records

May 2022

Inherent Risk		
Likelihood	Consequence	Risk Rating
Almost Certain	Severe	Extreme

Residual Risk		
Likelihood	Consequence	Risk Rating
Possible	Major	High

Action	Plan	Resolve by	Progress and Compliance Reporting	Status
Built in redundancy in ICT systems	Provide and maintain built in redundancy within the ICT network		Majority of hardware have redundancy, projects underway to close the remaining gaps ie: add redundancy to network equipment ie: core switches. Have started looking into options for DR planning and alternative.	Partially Implemented (Plans for full implementation)
Incident Response Plans and Business Continuity Plans	Develop, test and maintain IRPs and BCPs for disruptive events affecting ICT		Incident response plans underway for major events, Communication to the business needs to occur. Review of IT BCP plan required and must be alongside the business requirements for recovery	Partially Implemented (Plans for full implementation)
Cyber Insurance	Obtaining and retaining cyber insurance for estimated losses from relevant cyber disruption event	Nov-22	Cyber insurance in place for 2021/22 year. Conditions of insurance being met	Fully Implemented
Using only approved and verified suppliers	Identify suitable approved suppliers and implementation of processes to ensure ICT resources are only sourced from these suppliers		Hardware purchasing in line with TDC Technology Device Policy 2021, participation in the All of Government ICT Hardware agreement which outlines approved suppliers	Fully Implemented
Realtime Scanning & Monitoring	Install and maintain real time monitoring, scanning Regular checking and patching and endpoint protection systems		Monitoring in place for known devices, planning to extend to monitor for unknown devices. Reporting of unapproved devices and attempts to connect unknown devices to network	Fully Implemented
Firewalls & Intrusion Detection	Install and maintain firewalls & intrusion detections with regular required updates and patching.		Firewalls in with patch management plan underway, change management plan and processes underway, account auditing (ongoing for staff, 6 monthly for contractors)	Fully Implemented
URL Filters for Malicious Sites	Create and maintain URL filters to block known or suspected malicious websites		URL filtering currently in place on multiple locations. Also, SSL decryption is in place. Corporate devices remain uncompromised.	Fully Implemented
Access and Privilege Controls	System in place to ensure all users have only the access levels needed to undertake their roles		Monitoring audit logs taking place. Privileged accounts or groups are monitored for changes and changes recorded.	Fully Implemented
Realtime scanning and exception alarming	Install and maintain real time scanning and monitoring systems with regular required updates and patching		Automated reports that show inappropriate use of systems, apps etc. Started the process to adopt new solutions for real-time monitoring for inappropriate use of ICT systems. Patching programme in place	Partially Implemented (Plans for full implementation)

Failure to Plan and Manage Council's Finances**May 2022**

Inherent Risk		
Likelihood	Consequence	Risk Rating
Almost Certain	Major	Extreme

Residual Risk		
Likelihood	Consequence	Risk Rating
Possible	Major	High

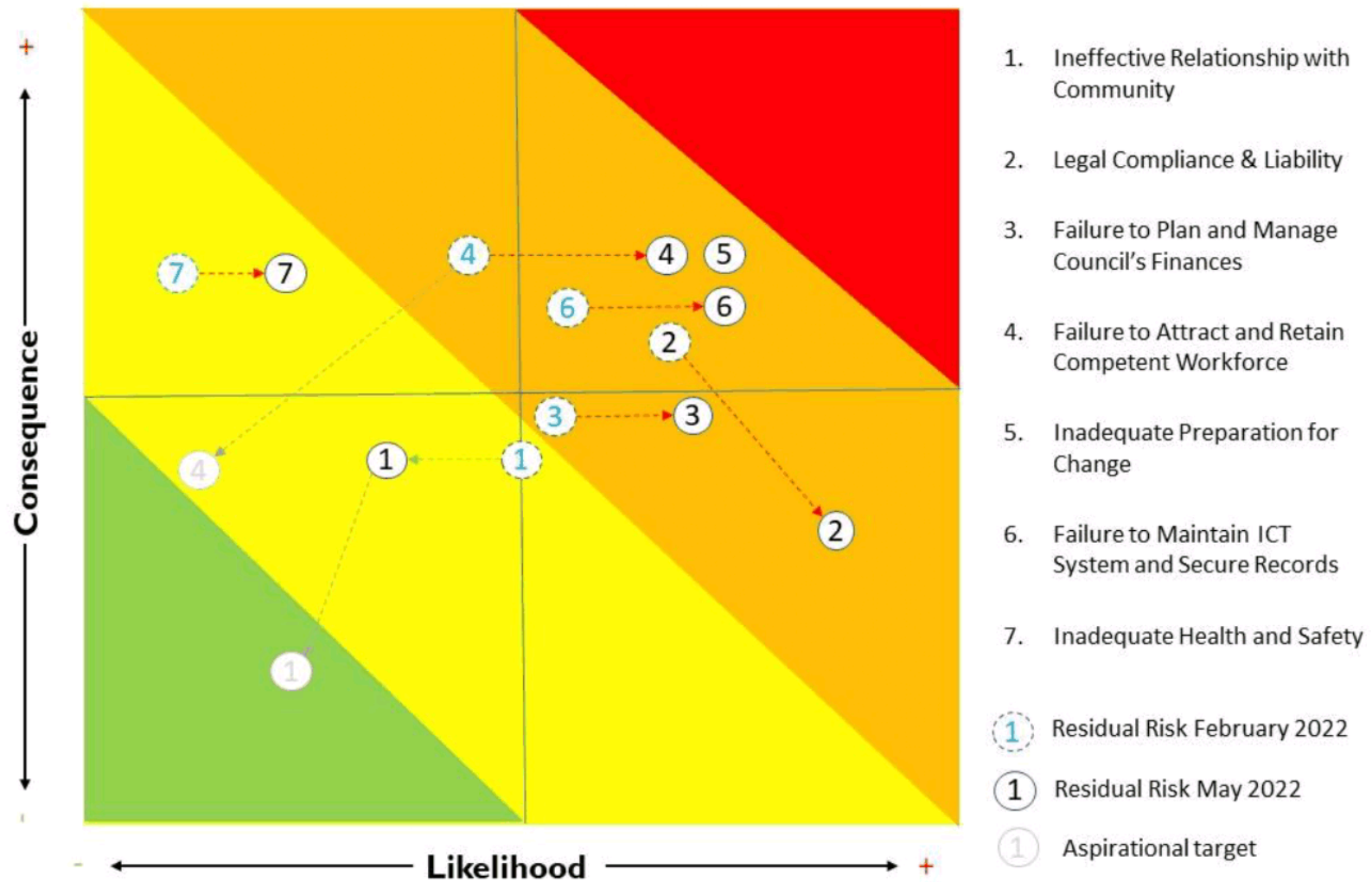
Action	Plan	Resolve by	Progress and Compliance Reporting	Status
Budget reviews by Finance and Executive teams	Undertake reviews of budgets for before inclusion into the annual plan	14- Mar-22	Completed	Fully Implemented
Asset Management Plans	Develop, maintain and implement asset management plans.	Ongoing	AMPs are up to date for water, wastewater, roading, stormwater, solid waste and buildings	Fully Implemented
AMPs in Annual & Long-Term Planning	Incorporate asset management plan requirements into annual & long-term plans	14-Mar-22	AMP information and costs are included into AP and LTP	Fully Implemented
Insurances	Maintain appropriate levels of MDBI, Professional and Public Indemnity insurances to transfer financial risks to a third party	1-Nov-22	Insurances in place for 2021/22 year. Renewals for 2022/23 commenced	Fully Implemented
Financial Monitoring and Reporting	Implement and maintain financial monitoring and reporting to executive team and elected representatives.	Ongoing	Regular financial reporting to full Council taking place	Fully Implemented
Training on Financial Modules	Provide CiAnywhere training on financial modules to staff	Ongoing	Training on CiAnywhere financial modules is taking place and managed in training section of CiAnywhere	Partially Implemented (Plans for full implementation)
Financial Policies and Procedures	Undertake external audits and reviews of financial controls and their performance annually	Ongoing	Some financial policies and procedures on the intranet. Some gaps in procedures to support policies.	Partially Implemented (No plans for full implementation)
Audits & Reviews	Install and maintain intrusion protection systems with regular required updates and patching	Ongoing	Regular scheduled external and internal reviews in place for critical financial policies/procedures. No outstanding issues.	Fully Implemented
Staff performance management	Implement staff performance management to monitor compliance with policies and procedures, and the development and application of necessary competencies	1-Jul-22	Performance management plan in place and staff performance being managed consistently	Partially Implemented (Plans for full implementation)

STRATEGIC RISK SUMMARY JUNE 2022

Strategic Risk	Current Key Risk Drivers	Impact	Controls Employed or Planned	Risk Status
Ineffective Relationship with the Community	Mistrust of authorities due to information gaps or misinformation	Reduced engagement or not feeling engaged at all from communities. Constructive communication and consultation is increasingly difficult.	Increasing resources in community development and engagement. Realignment of Community Engagement and Development team being undertaken to shift and increase engagement across and outside the organisation to encourage 2-way conversations with communities.	Medium The environment for the Council continues to remain dynamic with multiple factors outside the control of the Council affecting the Council's ability to establish and maintain effective relationships with communities. Realignment underway. Improvements will take time to be fully realised. No change to residual risk
Failure to Attract and Maintain a Competent Workforce	Labour shortage (historically low unemployment, net migration decrease) and we are on the wrong side of the supply / demand equation.	The continued tightening of the labour market and the shortages are increasing the likelihood of this risk eventuating	We are reviewing our remuneration approach to be able to meet the uptick in the market. We have also beefed up our presence online to try and get more applicants for vacant positions	High + Currently still losing experienced and skilled staff with unreplaceable institutional knowledge. Have numerous vacancies in critical roles that we are struggling to fill and this is increasing the work pressure on staff right across the organisation. Risk is increasing in likelihood.
Inadequate Preparation for Change (Unexpected Change)	Government reforms.	While the Council can advocate on behalf of the community through these reforms, the likelihood of change or its impact, is not managed by Council.	No changes to current controls planned. Controls are identified in CEO's monthly performance reports. The CEO and Council staff are participating in working groups, and in sector forums in order to be as informed as possible about the likely direction of the reforms in order to avoid as much unexpected change as possible.	High Government reforms still creating high levels of uncertainty even with all controls fully in place or in the process of being implemented. No change.
Health and Safety at Work	Health and safety management of contractors being used by the Council creating unique challenges for the Council to ensure H&S standards are maintained.	The likelihood of a failure to achieve the required standards for H&S is increased due to reduced ability of the Council to influence the contractors H&S systems.	The Council is working collaboratively with groups such as WLASS and BOPLASS to put in place systems to better manage contractors.	Medium + Increasing likelihood of failure to achieve required H&S standards from contractors with a number of incidents involving Council identified critical risks recorded in the last 3 month

Strategic Risk	Current Key Risk Drivers	Impact	Controls Employed or Planned	Risk Status
Failure to Maintain ICT Systems and Secure Records	<p>Continual cybersecurity threats, particularly in light of drivers across the world ie: Ukraine</p> <p>Hybrid workforce requiring alteration of our security posture to better support these requirements moving forward</p> <p>Shadow IT resulting from ease of staff to sign up software without IT oversight for security and legal compliance matters.</p>	<p>Likelihood of security systems in place failing to catch a hack or malware is increased in current environment</p> <p>Likelihood of shadow IT being obtained by staff increased with increased potential for failure to achieve compliance standards for IT.</p>	<p>Core network modernisation project initiated to look at network redesign to better support and improve security for Hybrid workplace</p> <p>Ongoing network monitoring for detection, management and mitigation of network performance and potential threats</p> <p>Continued cybersecurity training and simulation for staff</p> <p>Privileged access security implemented to manage admin passwords and system access more stringently</p>	<p>High +</p> <p>Increased cyber security threats as a result of conflict in Ukraine and tensions between east and west. Shadow IT still an area of concern with increasing access to web-based software that bypasses IT oversight and controls</p>
Failure to Plan and Manage Council's Finances	<p>Supply chain related pressures, human resource constraints.</p> <p>Inflationary pressures driving up costs across the board.</p>	<p>Uncertainty for the delivery of the capital programme</p> <p>Increased operating costs</p>	<p>Continued assessment of projects before commencement to ensure certainty of delivery</p> <p>More focus on continuous improvement and drive for efficiency across the organisation.</p>	<p>High +</p> <p>Increasing likelihood resulting from inflationary and supply chain pressures creating higher levels of uncertainty in managing finances. Increased likelihood.</p>
Legal Liabilities	<p>Society is becoming noticeably more litigious, and we have seen an increase in people seeking compensation from the Council events ranging from weather related events such as falling tree branches to alleged damage from loose chip on the roads</p>	<p>The Council is increasingly getting dragged in minor disputes through the Disputes Tribunal. While not value claims they do involve a lot of staff time to manage.</p>	<p>Strategy is to look at ability to transfer financial risks and the best options to minimise reputational risks. As the amount of officers time can be substantial for very minor claims. Where a case against the Council could be argued, we aim to achieve a mutually acceptable outcome.</p>	<p>High</p> <p>Increased likelihood in minor claims and liabilities but no increase in significant claims or liabilities.</p> <p>No change in risk.</p>

Risk Heat Map



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30 May – 2 June 2022



BUILDING CONSENT AUTHORITY ACCREDITATION SPECIAL ASSESSMENT REPORT

TAUPO DISTRICT COUNCIL

Taupo District Council

Initial Report

30 May – 2 June 2022

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INTRODUCTION

This report relates to the remote accreditation special assessment of the **Taupo District Council Building Consent Authority (BCA)** which took place from end of May to the beginning of June 2022 to determine compliance with the requirements of the *Building (Accreditation of Building Consent Authorities) Regulations 2006* (the Regulations).

This report is based on the manual review, reviewing records of building consents and interviews with the BCA's employees and contractors undertaken during the accreditation assessment.

A copy of this report, and subsequent information regarding progress towards clearance of non-compliance/s, will be provided to the Ministry of Business, Innovation and Employment (MBIE) in accordance with International Accreditation New Zealand's (IANZ) contractual obligations. This report may also be made publicly available by the BCA as long as this is not done in a way that misrepresents the content within. It may also be released under the Local Government Meetings and Official Information Act 1987 consistent with any ground for withholding that might be applicable.

ASSESSMENT SUMMARY

The assessment identified the BCA's performance have improved substantially since the routine reassessment in March 2021. The changes which were put in place as a result from the last assessment was seen to have been continued to be implemented, the particular areas included the BCA's internal audits, continuous improvement process, as well as their training records.

There were however, some outstanding issues including the compilation of compliance schedule information from processing through to CCCs. These are detailed below. The outstanding non-compliances must be addressed in order for accreditation to continue.

CONTINUING ACCREDITATION

Accreditation is a statement, by IANZ, that your organisation complies with the Regulations and MBIE BCA accreditation scheme guidance documents (as relevant). Where non-compliance with the Regulations has been identified, the Act requires that it must be addressed.

Addressing non-compliances identified during the assessment

Action Plan: Your non-compliances with the Regulations have been summarised and recorded in detail in this report. Please complete the Record of Non-compliance table/s detailing your proposed corrective actions and the evidence that will be provided, and forward a copy to IANZ.

Evidence of addressing non-compliances: Evidence, as described in your action plan, must be supplied to IANZ to demonstrate that you have addressed your non-compliances.

To maintain accreditation you must provide evidence of the actions taken to clear non-compliance to IANZ within the required timeframe. Please allow at least 10 working days for IANZ to respond to any submitted material and allow sufficient time after submission of your evidence in case further evidence is required.

If you do not agree with the non-compliances identified, or if you need further time to address non-compliances, please contact the Lead Assessor as soon as possible. Where you are seeking an extension to an agreed timeframe to address a non-compliance, your Chief Executive is required to make a formal request for an extension of the timeframe. These will only be granted for unpredictable and unmanageable reasons.

If you have a complaint about the assessment process, please refer the BCA Accreditation disagreements guidance which can be found [here](#) or contact the IANZ Lead Assessor, IANZ Programme Manager – Building, or IANZ Operations Manager - Inspection and BCA sectors, for further information about the IANZ appeals and complaints process.

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RISK ASSESSMENT

The BCA's risk, both to the Territorial Authority, as a BCA and also as an organisation accredited by IANZ was assessed. The BCA was considered to pose a **Low Risk**. The main reasons for considering this risk category were:

- The previous issues identified from the Routine Reassessment in March 2021 were addressed, with only a few areas with further findings identified.
- A total of 6 non-compliances were identified during this assessment, none of which were serious, and two were resolved during the assessment.
- The BCA had been compliant for the whole of the period since the last assessment, however there was a dip in their statutory performance for granting and issuing building consents, through conversation during the assessment, this was confirmed as a result of various staff having caught Covid and were not able to work. However, the BCA's plan in place was to allocate any additional work to contractors on hand, which was considered to be an appropriate remedy.
- The BCA appeared to have a plan to address the findings identified during this assessment, however, the senior BCO who was also the Quality Coordinator had resigned, and the BCA have had discussion and plans in place for when she departs. Currently, it seemed that the ongoing performance would not be affected.
- The BCA appeared to have improved their use of the internal audit and continuous improvement system since the Routine Reassessment.
- The BCA have appropriately notified IANZ and MBIE of the upcoming staff departures and this was assessed as part of this assessment.

NEXT ACCREDITATION ASSESSMENT

Unless your BCA undergoes a significant change, requiring some form of interim assessment, or the BCA is unable to clear the identified non-compliances within the agreed timeframe, the next assessment of the BCA is planned as a **Routine Reassessment for March 2023**.


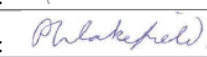
You will be formally notified of your next assessment six weeks prior to its planned date.

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BCA AND ASSESSMENT DETAILS

ORGANISATION DETAILS					
Organisation:		Taupo District Council			
Address for service:		72 Lake Terrace, Taupo 3330			
Client Number:	7419	Accreditation Number:	14		
Chief Executive:		Mr Gareth Green			
Chief Executive Contact Details:		ggreen@taupo.govt.nz			
BCA Responsible Manager:		Mr Dean Southey			
BCA Responsible Manager Contact Details:		dsouthey@taupo.govt.nz			
BCA Authorised Representative:		Mr Dean Southey			
BCA Authorised Representative Contact Details:		dsouthey@taupo.govt.nz			
BCA Quality Manager:		Mr Dean Southey			
BCA Quality Manager Contact Details:		dsouthey@taupo.govt.nz			
Number of BCA FTEs	Technical	15	Admin support	1	
Total FTEs should = technical FTEs + admin FTEs + vacancies	Vacancies (Technical)	1	Vacancies (Admin)	0	
BCA Activity during the previous 12 months					
Building Consents					
R1	685	R2	233	R3	53
C1	79	C2	24	C3	1
CCCs				879	
New compliance schedules				39	
BCA Notices to Fix				0	
ASSESSMENT TEAM					
Assessment Date:		30 May 2022 to 2 June 2022			
Lead Assessor:		Lesley Chen			
Lead Assessor Contact Details:		LChen@ianz.govt.nz			
Technical Expert(s):		John Hudson			
Observer(s):		Mike Reedy			
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		
Date clearance plan required from BCA:		1 July 2022			
Date non-compliances must cleared:		26 August 2022			
NEXT ASSESSMENT					
Recommended next assessment type:		Routine Reassessment			
Recommended next assessment date:		March 2023			
IANZ REPORT PREPARATION					
Prepared by: Lesley Chen	Date: 2 June 2022	Signature: 			
Checked by: Peter Wakefield	Date: 3 June 2022	Signature: 			

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ASSESSMENT OBSERVATIONS**REGULATION 6A NOTIFICATION REQUIREMENTS**

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had appropriately documented and effectively implemented its procedure for notification requirements in accordance with Regulation 6A.</p> <p>The BCA notified IANZ and MBIE on 30 May 2022, as the Authorised Representative, who was also the Senior BCO and Quality Coordinator had resigned, her last day will be on the 17th June 2022. Furthermore, Taupo District Council's General Manager Planning and Strategy had also resigned, the Environmental Services Manager will be acting in his role and handling any escalations from the BCA until a new General Manager is appointed.</p> <p>Meeting minutes were reviewed where the BCA discussed their plans upon the departure of an experienced building control officer, and were considered appropriate.</p>	

REGULATION 7 PERFORMING BUILDING CONTROL FUNCTIONS**Regulation 7(2)(a): providing consumer information**

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 7(2)(a) was not assessed as part of this Special Monitoring Assessment.	

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Regulation 7(2)(b)-(c), and 7(2)(d)(i): receiving, checking and recording applications

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Regulation 7(2)(b) and (c) was not assessed as part of this Special Monitoring Assessment.</p> <p>The BCA had appropriately documented and effectively implemented its procedure for recording applications in accordance with Regulation 7(2)(d)(i).</p>	

Regulations 7(2)(d)(ii): assessing applications

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R1
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had appropriately documented and effectively implemented its procedure for assessing applications in accordance with Regulation 7(2)(d)(ii).</p> <p>The BCA is recommended to categorise their applications in accordance with their documented procedure. An example was observed where a multi-unit dwelling was categorised as a Res 2 application instead of a Res 3 application. See Recommendation R1.</p>	

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Regulations 7(2)(d)(iii): allocating applications

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 7(2)(d)(iii) was not assessed as part of this Special Monitoring Assessment.	

Regulation 7(2)(d)(iv): processing building consent applications and Regulation 7(2)(e): planning inspections

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 1
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R2
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had adequately documented its procedure for processing building consent applications in accordance with Regulation 7(2)(d)(iv).</p> <p>The BCA had not adequately implemented its procedure for compiling specified systems and performance standard information to be included on the Form 5 (via the attached draft compliance schedule). In several examples it was unclear how the BCA considered the compliance schedule information was accurate while there were inconsistencies and/or system information missing from plans and specifications. GNC 1 to be resolved.</p> <p>The BCA is recommended to accurately record reasons for decisions for s.112 and means of escape from fire when assessing applications which involved alterations to an existing building. An example was sighted where "not applicable" was selected and recorded at the relevant sections on the processing checklist. See Recommendation R2.</p>	

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Regulation 7(2)(d)(v): granting and issuing consents

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 2
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R3
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Compliance with Form 5 The BCA had adequately documented its procedure for granting and issuing consents, in accordance with Regulation 7(2)(d)(v).</p> <p>The BCA did not always effectively implement its procedure for stating specified systems and performance standards on building consents (via the attached draft compliance schedule). Building consents were found where the stated performance standards (in the attached draft compliance schedules) were not accurate e.g.:</p> <ul style="list-style-type: none"> the year/version of performance standards were missing. Multiple standards were provided with no indication of which parts of the system (or location) each standard applied to, Performance standards had not been updated/added when systems were being added to buildings with an existing compliance schedule. <p>The Building Consents were not always issued consistently with the requirements of the prescribed form (Form 5). The BCA had added misleading informational notes at times such as requesting for a warranty, requesting for design information to be completed or misrepresenting statutory functions.</p> <p>GNC 2 to be resolved.</p> <p>Lapsing The BCA had adequately documented and effectively implemented its procedure for lapsing of Building Consents, in accordance with Regulation 7(2)(d)(v).</p> <p>Compliance with statutory timeframes The BCA's statutory timeframe for granting and issuing building consents within 20 working days was not seen to be substantially compliant for the last 6 months, averaging around 74.9%. Through conversation with the BCA personnel, this was due to BCA staff subsequently falling ill to Covid-19. The BCA is recommended to ensure it actively monitor its compliance with the statutory timeframe and ensure to work towards full compliance.</p> <p>See Recommendation R3.</p>	

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Regulation 7(2)(e): planning, performing and managing inspections

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 7(2)(e) was not assessed as part of this Special Monitoring Assessment.	

Regulation 7(2)(f): code compliance certificates, compliance schedules and notices to fix

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 3
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R4
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Application for Code Compliance Certificates and the Issuing of Code Compliance Certificates The Application for Code Compliance Certificates and the issuing of Code Compliance Certificates were not assessed as part of this Special Monitoring Assessment.</p> <p>24 month CCC decision The BCA had appropriately documented and effectively implemented its procedure for making a 24-month decision on whether to issue a Code Compliance Certificate where no application for Code Compliance Certificate had been received.</p> <p>Compliance with statutory timeframes The BCA's statutory timeframe for issuing Code Compliance Certificates within 20 working days was seen to be substantially compliant for the last 12 months, averaging around 91.8%.</p> <p>Compliance schedules The BCA had appropriately documented its procedure for preparation and issue of Compliance Schedules.</p> <p>The BCA had not always effectively implemented its procedures for issuing compliance schedules:</p> <ul style="list-style-type: none"> • The year, version/amendment was missing from performance standards in several examples (and when relevant that it is the original version) • Performance standards were not always relevant to the systems e.g., revoked standards listed at SS4 (the consent was issued Jun 21) and one example listed "Must be visible and legible from floor level during hours of operation" as the performance standard. • One example showed that a system was added which was not stated (set out) in the respective building consent [thus making CCC decisions impossible [Ref: s94(1)(b)(ii)]] 	

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- Several examples listed inappropriate inspection and maintenance procedures (e.g., AS/NZS2293:2018 does not provide IM for SS4, it should be AS/NZS2293.2:2019)
- Performance standards and inspection and maintenance procedures were not updated to reflect the requirements of some new and altered systems being incorporated into an amended compliance schedule.

GNC 3 to be resolved.

From the observations of the Compliance Schedules reviewed, the BCA is recommended to consider the following:

- State the occupancy loads for each level of a building, plus the total.
- Include where the schedule will be kept (the location of the field on the template could have been a contributing factor to it not being completed in all cases).
- Not include prompts that say, "please specify" and "TBA".
- Define where/what each performance standard applies to when multiple options are listed.
- Include the makes of systems when they can be made known to the BCA during inspections and from system certificates.
- Set out inspection and maintenance procedures that are clear and concise and not left to the reader to interpret or make a decision (e.g., don't use such words as 'should', 'could', 'not limited to', 'examples' etc.)
- Include any manufacturer's maintenance schedule (say for SS3/1) when it is provided at the end of the job.
- When issuing amendments ensure that Form 5 continues to state that a compliance schedule is required and set out the systems and performance standards. One example was found where the amendment effectively removed the requirement for the building to have a compliance schedule.

See Recommendation R4.

It was clear that the BCA is continuing to improve its Compliance Schedules as the newer Compliance Schedules were substantially compliant. Areas of good practices were:

- photographs of the building were added to the front page.
- plans with relevant data had been appended.

Notices to fix

The BCA had an appropriately documented its procedure in accordance with Regulation 7(2)(f) for Notices to Fix.

Implementation of the procedure was not able to be reviewed, as the BCA had not issued any BCA Notices to Fix since the last assessment in March 2021.

Regulation 7(2)(g): customer inquiries

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 7(2)(h) was not assessed as part of this Special Monitoring Assessment.	

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Regulation 7(2)(h): customer complaints

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had appropriately documented and effectively implemented its procedure for receiving and managing customer complaints about building control functions in accordance with Regulation 7(2)(h).	

REGULATION 8 ENSURING ENOUGH EMPLOYEES AND CONTRACTORS**Regulation 8(1): forecasting workflow**

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 8(1) was not assessed as part of this Special Monitoring Assessment.	

Regulation 8(2): identifying and addressing capacity and capability needs

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 8(2) was not assessed as part of this Special Monitoring Assessment.	

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REGULATION 9 ALLOCATING WORK

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had appropriately documented and effectively implemented its procedure to allocate work in accordance with Regulation 9.	

REGULATION 10 ESTABLISHING AND ASSESSING COMPETENCY OF EMPLOYEES**Regulation 10(1): assessing prospective employees**

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had an appropriately documented procedure which was effectively implemented in accordance with Regulation 10(1) for establishing the competence of a person who applied to it for employment as an employee performing building control functions.	

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Regulation 10(2) and (3): assessing employees performing building control functions

Non-compliance? Y/N	Yes - resolved during assessment
Non-compliance number/s:	GNC 4 , GNC 5
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had an appropriately documented procedure in accordance with Regulation 10(2) for assessing annually (or more frequently) the competence of its employees performing building control functions.</p> <p>Implementation of the BCA's procedure was not always adequate, where an assessment was observed to have been completed by an assessor who did not have an Appendix 2 Competency Assessor Specification as required by NCAS.</p> <p>GNC 4 was resolved during the assessment, where the BCA submitted an Appendix 2 Specification as per the requirement of NCAS to complete competency assessments.</p> <p>The BCA had an appropriately documented procedure in accordance with Regulation 10(3)(a) to (f), which specified the technical requirements for a competence assessment system.</p> <p>However, the competency assessments reviewed were not adequate, notably:</p> <ul style="list-style-type: none"> Assessments were found where the listed evidence was not up to the highest level of recorded competence for the employee. The competency assessment outcomes were not appropriately transferred onto the Skills Matrix as multiple inconsistencies were identified. <p>GNC 5 was resolved during the assessment, where the BCA had adequately updated the Skills Matrix and ensure the outcomes of competency assessments were accurately transcribed, and updated competency assessments were provided to include the highest level of recorded competence for the employee documented within.</p> <p>It was worthy to note that the BCA had made a noticeable improvement to their documented assessments of BCO competencies. Whilst there were some transcriptional errors found between the competency assessments and the skills matrix, the BCA was able to resolve those errors during the assessment.</p>	

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REGULATION 11 TRAINING EMPLOYEES DOING A TECHNICAL JOB**Regulation 11(1) and (2)(a)-(d),(f) and (g): the training system**

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had developed a training system in accordance with Regulation 11(1). Where omissions were detected, they are addressed under their relevant regulation below.</p> <p>The BCA had appropriately documented and effectively implemented its procedure in accordance with Regulation 11(2)(a) to (d), (f) and (g) for making annual (or more frequent) training needs assessments, preparing training plans that specified the training outcomes required, ensuring that employees received the training agreed for them, monitoring and reviewing its employees' application of the training they received, recording employees' qualifications, experience and training, and recording continuing training information.</p>	

Regulation 11(2)(e): supervising employees doing a technical job under training

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 6
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented its procedure to supervise its employees doing a technical job under training in accordance with Regulation 11(2)(e). However, it was unclear within the BCA's procedure for the supervision of inspectors, where within the GoGet system the supervision notes were recorded. GNC 6A to be resolved.</p> <p>Through reviewing some supervision records, it was identified that some inspection supervision memos were signed off by the employee being supervised, and some processing supervision memos had not been completed by the supervisor as per the documented procedure. GNC 6B to be resolved.</p>	

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REGULATION 12(1) and (2)(a) to (f) CHOOSING AND USING CONTRACTORS

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 12(1) and Regulation 12(2)(a) to (f) was not assessed as part of this Special Monitoring Assessment.	

REGULATION 13(a) and (b) ENSURING TECHNICAL LEADERSHIP

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had an appropriately documented procedure for having a system identifying employees and contractors who were competent to provide technical leadership in accordance with Regulation 13(a) and (b). The BCA assessed their technical leaders under the NCAS, and had given them the appropriate powers and authorities to perform building control functions.	

REGULATION 14 ENSURING NECESSARY (TECHNICAL) RESOURCES

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had appropriately documented and effectively implemented its procedures for ensuring it had a system for providing, and for ensuring the continuing availability of and continuing appropriateness of the technical information, facilities, and equipment that its employees and contractors needed to perform building control functions.	

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REGULATION 15(1)(a) and (b) and (2): KEEPING ORGANISATIONAL RECORDS

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented its organisational structure in accordance with Regulation 15(1)(a) and (b).</p> <p>The BCA had an appropriate procedure for recording the roles, responsibilities, powers, authorities and any limitation on powers and authorities for its employees and contractors performing building control functions in accordance with Regulation 15(2). The procedure was adequately implemented.</p>	

REGULATION 16(1) and (2)(a) to (c): FILING APPLICATIONS FOR BUILDING CONSENT

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	R5
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had an appropriate procedure for allocating every application for building consent, and building consent amendment its own unique identification. The procedure was appropriately implemented in accordance with Regulation 16(1).</p> <p>The BCA had an appropriate procedure for putting information on an applications file and storing it securely and in a way that made it accessible and retrievable. This was generally appropriately implemented in accordance with Regulation 16(2)(a) to (c).</p> <p>The BCA is recommended to file information in accordance with its procedures. There was one observation where the processing summary had not been generated in GoGet (and therefore not filed in Objective).</p> <p>See Recommendation R5.</p>	

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REGULATION 17 ASSURING QUALITY**Regulations 17(1) and (2)(a): A quality assurance system that covers management and operations**

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had developed a Quality Assurance System that covered its Management and Operations. Where omissions were detected they were addressed under their relevant Regulation in this report.	

Regulation 17(2)(b) and (3): A policy on quality and a quality manager

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had an appropriate Quality Policy which included quality objectives, and quality performance indicators for its building control functions at a high level. It was adequately implemented in accordance with Regulation 17(2)(b).	
The BCA had appointed a Quality Manager, named as Dean Southey in its Quality Assurance System, in accordance with Regulation 17(3).	

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Regulation 17(2)(d): Regular management reporting and review, including of the quality system

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 17(2)(d) was not assessed as part of this Special Monitoring Assessment.	

Regulation 17(2)(e) Supporting continuous improvement

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had an appropriate procedure for supporting continuous improvement, and this was adequately implemented in accordance with Regulation 17(2)(e).	

Regulation 17(2)(h): Undertaking annual audits

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R6
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had an appropriate procedure for undertaking annual audits, and this was adequately implemented in accordance with Regulation 17(2)(h).</p> <p>The BCA is recommended to remove the references to documents within its procedure where it is not consistently the same document every year. E.g., Internal Audit Review Planner (A2619164) is for year 2020 only, subsequent years have a different reference. See Recommendation R6.</p>	

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Regulation 17(2)(i): Identifying and managing conflicts of interest

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 17(2)(d) was not assessed as part of this Special Monitoring Assessment.	

Regulation 17(2)(j): Communicating with internal and external persons

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 17(2)(d) was not assessed as part of this Special Monitoring Assessment.	

Regulation 17(3A): Complaints about building practitioners

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had appropriately documented and effectively implemented procedure to ensure that the BCA considered whether to make, and made complaints to relevant occupational or professional authorities about practitioners whenever they appeared to it necessary or desirable in accordance with Regulation 17(3A)(a) to (c).	

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Regulation 17(4): Compliance with a quality assurance system

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 17(4) was not assessed as part of this Special Monitoring Assessment.	

Regulation 17(5): Strategic management reporting and review

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 17(4) was not assessed as part of this Special Monitoring Assessment.	

REGULATION 18 TECHNICAL QUALIFICATIONS

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Regulation 18 was not assessed as part of this Special Monitoring Assessment.	

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RECORDS OF NON-COMPLIANCE

RECORD OF NON COMPLIANCE #:	GNC 1
Breach of requirement:	Regulation 7(2)(d)(iv)
Finding:	General Non-compliance
FINDING DETAILS	
<p>The BCA had not adequately implemented its procedure for compiling specified systems and performance standard information to be included on the Form 5 (via the attached draft compliance schedule). In several examples it was unclear how the BCA considered the compliance schedule information was accurate while there were inconsistencies and/or system information missing from plans and specifications.</p>	
BCA ACTIONS REQUIRED	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p>Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later than</u> the "Date final evidence of implementation is required from BCA" indicated below.</p>	
IMPORTANT DATES	
Plan of action from BCA due by:	1 July 2022
All action plans accepted by IANZ:	Click or tap to enter a date.
Date final evidence of implementation is required from BCA:	12 August 2022
Final date non-compliance to be cleared by:	26 August 2022
EVIDENCE	
Plan of action (To be provided by BCA):	
Proposed evidence of implementation (To be provided by BCA):	
Evidence of implementation and discussion:	
NON COMPLIANCE CLEARED	
Signed:	Date: Click or tap to enter a date.

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RECORD OF NON COMPLIANCE #:	GNC 2
Breach of requirement:	Regulation 7(2)(d)(v)
Finding:	General Non-compliance
FINDING DETAILS	
<p>The BCA did not always effectively implement its procedure for stating specified systems and performance standards on building consents (via the attached draft compliance schedule).</p> <p>Building consents were found where the stated performance standards (in the attached draft compliance schedules) were not accurate e.g.:</p> <ul style="list-style-type: none"> the year/version of performance standards were missing. Multiple standards were provided with no indication of which parts of the system (or location) each standard applied to. Performance standards had not been updated/added when systems were being added to buildings with an existing compliance schedule. <p>The Building Consents were not always issued consistently with the requirements of the prescribed form (Form 5). The BCA had added misleading informational notes at times such as requesting for a warranty, requesting for design information to be completed or misrepresenting statutory functions.</p>	
BCA ACTIONS REQUIRED	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p><u>Once the action plan and proposed evidence has been accepted by IANZ</u>, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later than</u> the "Date final evidence of implementation is required from BCA" indicated below.</p>	
IMPORTANT DATES	
Plan of action from BCA due by:	1 July 2022
All action plans accepted by IANZ:	Click or tap to enter a date.
Date final evidence of implementation is required from BCA:	12 August 2022
Final date non-compliance to be cleared by:	26 August 2022
EVIDENCE	
Plan of action (To be provided by BCA):	
Proposed evidence of implementation (To be provided by BCA):	
Evidence of implementation and discussion:	
NON COMPLIANCE CLEARED	
Signed:	Date: Click or tap to enter a date.

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RECORD OF NON COMPLIANCE #:	GNC 3
Breach of requirement:	Regulation 7(2)(f)
Finding:	General Non-compliance
FINDING DETAILS	
<p>The BCA had not always effectively implemented its procedures for issuing compliance schedules:</p> <ul style="list-style-type: none"> • The year, version/amendment was missing from performance standards in several examples (and when relevant that it is the original version) (CS: 6134, 6200, 6154, 6135) • Performance standards were not always relevant to the systems e.g., revoked standards listed at SS4 (the consent was issued Jun 21) and one example listed "Must be visible and legible from floor level during hours of operation" as the performance standard. • One example showed that a system was added which was not stated (set out) in the respective building consent [thus making CCC decisions impossible [Ref: s94(1)(b)(ii)]] • Several examples listed inappropriate inspection and maintenance procedures (e.g., AS/NZS2293:2018 does not provide IM for SS4, it should be AS/NZS2293.2:2019) • Performance standards and inspection and maintenance procedures were not updated to reflect the requirements of some new and altered systems being incorporated into an amended compliance schedule. 	
BCA ACTIONS REQUIRED	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p><u>Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed no later than the "Date final evidence of implementation is required from BCA" indicated below.</u></p>	
IMPORTANT DATES	
Plan of action from BCA due by:	1 July 2022
All action plans accepted by IANZ:	Click or tap to enter a date.
Date final evidence of implementation is required from BCA:	12 August 2022
Final date non-compliance to be cleared by:	26 August 2022
EVIDENCE	
Plan of action (To be provided by BCA):	
Proposed evidence of implementation (To be provided by BCA):	
Evidence of implementation and discussion:	
NON COMPLIANCE CLEARED	
Signed:	Date: Click or tap to enter a date.

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RECORD OF NON COMPLIANCE #:	GNC 6A
Breach of requirement:	Regulation 11(2)(e)
Finding:	General Non-compliance
FINDING DETAILS	
The BCA's procedure was unclear within the BCA's procedure for the supervision of inspectors, where within the GoGet system the supervision notes were recorded.	
BCA ACTIONS REQUIRED	
Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.	
Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.	
Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later than</u> the "Date final evidence of implementation is required from BCA" indicated below.	
IMPORTANT DATES	
Plan of action from BCA due by:	1 July 2022
All action plans accepted by IANZ:	Click or tap to enter a date.
Date final evidence of implementation is required from BCA:	12 August 2022
Final date non-compliance to be cleared by:	26 August 2022
EVIDENCE	
Plan of action (To be provided by BCA):	
Proposed evidence of implementation (To be provided by BCA):	
Evidence of implementation and discussion:	
NON COMPLIANCE CLEARED	
Signed:	Date: Click or tap to enter a date.

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RECORD OF NON COMPLIANCE #:	GNC 6B
Breach of requirement:	Regulation 11(2)(e)
Finding:	General Non-compliance
FINDING DETAILS	
<p>Through reviewing some supervision records, it was identified that some inspection supervision memos were signed off by the employee being supervised, and some processing supervision memos had not been completed by the supervisor as per the documented procedure.</p>	
BCA ACTIONS REQUIRED	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p><u>Once the action plan and proposed evidence has been accepted by IANZ</u>, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later</u> than the "Date final evidence of implementation is required from BCA" indicated below.</p>	
IMPORTANT DATES	
Plan of action from BCA due by:	1 July 2022
All action plans accepted by IANZ:	Click or tap to enter a date.
Date final evidence of implementation is required from BCA:	12 August 2022
Final date non-compliance to be cleared by:	26 August 2022
EVIDENCE	
Plan of action <i>(To be provided by BCA):</i>	
Proposed evidence of implementation <i>(To be provided by BCA):</i>	
Evidence of implementation and discussion:	
NON COMPLIANCE CLEARED	
Signed:	Date: Click or tap to enter a date.

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SUMMARY OF RECOMMENDATIONS

Recommendations are intended to assist your BCA to maintain compliance with the Regulations. They are **not** conditions for accreditation but a failure to make changes may result in non-compliance with the Regulations in the future.

It is recommended that:

R1 Regulation 7(2)(d)(ii) – The BCA is recommended to categorise their applications in accordance with their documented procedure.

R2 Regulation 7(2)(d)(iv) – The BCA is recommended to accurately record reasons for decisions for s.112 and means of escape from fire when assessing applications which involved alterations to an existing building.

R3 Regulation 7(2)(d)(v) – The BCA is recommended to ensure it actively monitors its compliance with the statutory timeframe and to ensure that it works towards full compliance.

R4 Regulation 7(2)(f) Compliance Schedules – From the observations of the Compliance Schedules reviewed, the BCA is recommended to consider the following:

- State the occupancy loads for each level of a building, plus the total.
- Include where the schedule will be kept (the location of the field on the template could have been a contributing factor to it not being completed in all cases).
- Not include prompts that say, "please specify" and "TBA".
- Define where/what each performance standard applies to when multiple options are listed.
- Include the makes of systems when they can be made known to the BCA during inspections and from system certificates.
- Set out inspection and maintenance procedures that are clear and concise and not left to the reader to interpret or make a decision (e.g., don't use such words as 'should', 'could', 'not limited to', 'examples' etc.)
- Include any manufacturer's maintenance schedule (say for SS3/1) when it is provided at the end of the job (Ref: auto door paperwork in BC190671).
- When issuing amendments ensure that Form 5 continues to state that a compliance schedule is required and set out the systems and performance standards. One example was found where the amendment effectively removed the requirement for the building to have a compliance schedule.

R5 Regulation 16(2)(a) – The BCA is recommended to file information in accordance with its procedures. There was one observation where the processing summary had not been generated in GoGet (and therefore not filed in Objective).

R6 Regulation 17(2)(h) – The BCA is recommended to remove the references to documents within its procedure where it is not consistently the same document every year.

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SUMMARY OF ADVISORY NOTES

Advisory notes are intended to assist your BCA to improve compliance with accreditation requirements based on IANZ's experience. They are **not** conditions for accreditation and do not have to be implemented to maintain accreditation.

IANZ made no advisory notes during the assessment.

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SUMMARY TABLE OF NON-COMPLIANCE

The following table summarises the non-compliance identified with the accreditation requirements in your BCA's accreditation assessment. Where a non-compliance has been identified, a Record of Non-compliance template has been prepared detailing the issue, and to enable you to detail your proposed corrective actions to IANZ. You must update and return a template for each non-compliance identified.

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? Enter "Yes" where applicable						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY)	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (one sentence/line only to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recs.	Adv. notes	
6(A)(1)	Choose item.													
6(A)(2)	Choose item.													
Regulation 7														
7(1)	Choose item.													
7(2)(a)	Choose item.													
7(2)(b)	Choose item.													
7(2)(c)	Choose item.													
7(2)(d)(i)	Choose item.													
7(2)(d)(ii)	Choose item.											1		
7(2)(d)(iii)	Choose item.													
7(2)(d)(iv)	General	GNC 1			Yes				No	26/08/2022		1		The BCA had not adequately implemented its procedure for compiling specified systems and performance standard information to be included on the Form 5 (via the attached draft compliance schedule).
7(2)(d)(v)	General	GNC 2			Yes				No	26/08/2022		1		The BCA did not always effectively implement its procedure for stating specified systems and performance standards on building consents (via the attached draft compliance schedule). Building consents were found where the stated performance standards (in the attached draft compliance schedules) were not accurate e.g.: <ul style="list-style-type: none"> the year/version of performance standards were missing. Multiple standards were provided with no indication of which parts of the system (or location) each standard applied to, Performance standards had not been updated/added when systems were being added to buildings with an existing compliance schedule. The Building Consents were not always issued consistently with the requirements of the prescribed form (Form 5). The BCA had added misleading informational notes at times such as requesting for a warranty, requesting for design information to be completed or misrepresenting statutory functions.
7(2)(e)	Choose item.													
7(2)(f)	General	GNC 3			Yes				No	26/08/2022		1		The BCA had not always effectively implemented its procedures for issuing compliance schedules: <ul style="list-style-type: none"> The year, version/amendment was missing from performance standards in several examples (and when relevant that it is the original version) (CS: 6134, 6200, 6154, 6135) Performance standards were not always relevant to the systems e.g., revoked standards listed at SS4 (the consent was issued Jun 21) and one example listed "Must be visible and legible from floor level during hours of operation" as the performance standard. One example showed that a system was added which was not stated (set out) in the respective building consent [thus making CCC decisions impossible [Ref: s94(1)(b)(ii)]] Several examples listed inappropriate inspection and maintenance procedures (e.g., AS/NZS2293:2018 does not provide IM for SS4, it should be AS/NZS2293.2:2019) Performance standards and inspection and maintenance procedures were not updated to reflect the requirements of some new and altered systems being incorporated into an amended compliance schedule.
7(2)(g)	Choose item.													
7(2)(h)	Choose item.													
Regulation 8														
8(1)	Choose item.													

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Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? Enter "Yes" where applicable						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY)	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (one sentence/line only to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recs.	Adv. notes	
8(2)	Choose item.													
Regulation 9														
9	Choose item.													
Regulation 10														
10(1)	Choose item.													
10(2)	General	GNC 4			Yes				Yes	-	02/06/2022			An assessment was observed to have been completed by an assessor who did not have an Appendix 2 Competency Assessor Specification as required by NCAS.
10(3)	General	GNC 5			Yes		Yes		Yes	-	02/06/2022			The competency assessments reviewed were not adequate, notably: <ul style="list-style-type: none"> Assessments were found where the listed evidence was not up to the highest level of recorded competence for the employee. The competency assessment outcomes were not appropriately transferred onto the Skills Matrix as multiple inconsistencies were identified.
Regulation 11														
11(1)	Choose item.													
11(2)(a)	Choose item.													
11(2)(b)	Choose item.													
11(2)(c)	Choose item.													
11(2)(d)	Choose item.													
11(2)(e)	General	GNC 6			Yes				No	26/08/2022				The BCA's procedure was unclear within the BCA's procedure for the supervision of inspectors, where within the GoGet system the supervision notes were recorded. Through reviewing some supervision records, it was identified that some supervision memos were signed off by the employee being supervised.
11(2)(f)	Choose item.													
11(2)(g)	Choose item.													
Regulation 12														
12(1)	Choose item.													
12(2)(a)	Choose item.													
12(2)(b)	Choose item.													
12(2)(c)	Choose item.													
12(2)(d)	Choose item.													
12(2)(e)	Choose item.													
12(2)(f)	Choose item.													
Regulation 13														
13(a)	Choose item.													
13(b)	Choose item.													
Regulation 14														
14	Choose item.													
Regulation 15														
15(1)(a)	Choose item.													
15(1)(b)	Choose item.													
15(2)	Choose item.													
Regulation 16														
16(1)	Choose item.													
16(2)(a)	Choose item.											1		
16(2)(b)	Choose item.													
16(2)(c)	Choose item.													
Regulation 17														
17(1)	Choose item.													

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Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? Enter "Yes" where applicable						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY)	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (one sentence/line only to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recs.	Adv. notes	
17(2)(a)	Choose item.													
17(2)(b)	Choose item.													
17(2)(c)	Choose item.													
17(2)(d)	Choose item.													
17(2)(e)	Choose item.													
17(2)(h)	Choose item.											1		
17(2)(i)	Choose item.													
17(2)(j)	Choose item.													
17(3)	Choose item.													
17(3A)(a)	Choose item.													
17(3A)(b)	Choose item.													
17(3A)(c)	Choose item.													
17(4)(a)	Choose item.													
17(4)(b)	Choose item.													
17(5)(a)	Choose item.													
17(5)(b)	Choose item.													
Regulation 18														
18(1)	Choose item.													
18(3)(a)	Choose item.													
18(3)(b)	Choose item.													