

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

Date:	Thursday, 2 March 2023
Time:	9.15am
Location:	Council Chamber 107 Heuheu Street Taupō

AGENDA

MEMBERSHIP

Chairperson Cr Bruce Roberston Mr Anthony Byett
Deputy Chairperson

Members Cr Anna Park
Mayor David Trewavas
Cr John Williamson
Cr Danny Loughlin
Cr Rachel Shepherd
Cr Kevin Taylor

Quorum 4

Gareth Green
Chief Executive Officer

Order Of Business

1	Karakia	
2	Whakapāha Apologies	
3	Ngā Whakapānga Tukituki Conflicts of Interest	
4	Whakamanatanga O Ngā Meneti Confirmation of Minutes	
	Nil	
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5.1 ELECTION OF A DEPUTY CHAIRPERSON

Author: Nicole Turnbull, Executive Assistant

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

TE PŪTAKE | PURPOSE

To enable the election of a deputy chairperson of the Risk & Assurance Committee for the 2022–2025 Triennium.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee:

1. Confirms that System ___ be used to determine the election process for the Deputy Chairperson; and
2. Elects _____ as the Deputy Chairperson of the Risk & Assurance Committee for the 2022-2025 Triennium.

NGĀ KŌRERORERO | DISCUSSION

Clause 25 of Schedule 7 of the Local Government Act 2002 sets out the voting systems that is to be used for certain appointments including the election or appointment of the deputy chairperson as follows:

25. Voting systems for certain appointments

This clause applies to—

- (a) *the election or appointment of the chairperson and deputy chairperson of a regional council; and*
- (b) *the election or appointment of the deputy mayor; and*
- (c) *the election or appointment of the chairperson and deputy chairperson of a committee; and*
- (d) *the election or appointment of a representative of a local authority.*

[(2) If this clause applies, a local authority or a committee (if the local authority has so directed) must determine by resolution that a person be elected or appointed by using one of the following systems of voting: —

- (a) *the voting system in subclause (3) ("system A");*
- (b) *the voting system in subclause (4) ("system B").]*

[(3) System A —

- (a) *requires that a person is elected or appointed if he or she receives the votes of a majority of the members of the local authority or committee present and voting; and*
- (b) *has the following characteristics: —*
 - (i) *there is a first round of voting for all candidates; and*
 - (ii) *if no candidate is successful in that round there is a second round of voting from which the candidate with the fewest votes in the first round is excluded; and*
 - (iii) *if no candidate is successful in the second round there is a third, and if necessary subsequent, round of voting from which, each time, the candidate with the fewest votes in the previous round is excluded; and*

- (iv) in any round of voting, if 2 or more candidates tie for the lowest number of votes, the person excluded from the next round is resolved by lot.]
- (4) *System B—*
 - (a) *requires that a person is elected or appointed if he or she receives more votes than any other candidate; and*
 - (b) *has the following characteristics:*
 - (i) there is only 1 round of voting; and
 - (ii) if 2 or more candidates tie for the most votes, the tie is resolved by lot.]

A 'lot' means that the committee can either toss a coin, put the two names in a hat, draw straws or whatever other method the committee determines in order to select the candidates in the event of an equality of votes.

The committee must firstly determine whether System A or System B is to be used for the election process for the deputy chairperson. Once decided, the committee must then proceed to call for nominations. Once nominations have closed, voting will take place using the option that the committee has chosen.

In accordance with the requirements of the process, Resolutions 1 and 2 must be taken separately.

NGĀ TĀPIRIHANGA | ATTACHMENTS

Nil

5.2 2021/22 ANNUAL REPORT UPDATE

Author: Jeanette Paenga, Finance Manager

Authorised by: Sarah Matthews, General Manager Finance and Environment

TE PŪTAKE | PURPOSE

To provide the committee with a status update on the Taupō District Council (Council) 2021/22 Annual Report and audit.

NGĀ KŌRERORERO | DISCUSSION

Each year, Council is required to produce an Annual Report to compare the actual activities and the actual performance of Council for the year, against the planned activities and levels of performance set out in the relevant Long-Term Plan or Annual Plan. Council's Annual Report provides a level of accountability to the community for the decisions Council has made throughout the year.

The Terms of Reference for this Committee include the oversight of the preparation of key formal external accountability documents, such as the Annual Report, to ensure the integrity of the documents and disclosures made. It is proposed that prior to adoption by Council that Council's draft Annual Report be considered by the Committee and a recommendation made to Council for its adoption, subject to any amendments required. Likewise, it is also proposed that the Annual Report Summary be considered and recommended for publication.

Legislative requirements mean that Council's Annual Report must be completed and adopted, by resolution, within 4 months after the end of the financial year to which it relates (31 October). Council's Annual Report is also required to be audited.

Due to the Covid-19 pandemic and the nationwide shortage of auditors, Parliament extended the reporting time frames over the last few years to within 6 months after the end of the financial year (31 December), to allow auditors to sequence their work over a longer period and maintain the quality of their work. The 2022 financial year is expected to be the last year these dates will be extended.

The interim audit was delayed and mainly done remotely for two weeks from 31 October 2022, but an interim report was not received for the 2022 financial year. The final audit of Council's 2021/22 Annual Report was originally scheduled to commence 31 October 2022 but was delayed until 14 November 2022 and Council's appointed auditors (Audit NZ) were on site for two weeks and then remote for one week. Due to the delay in the receipt of an audit of our drinking water performance measures, Audit NZ was redeployed to other audits by the Office of the Auditor General on 2 December 2022. The completion of the final audit was rescheduled to 13 March 2023 (after the statutory deadline), due to audit capacity.

Audit NZ are expected to resume Council's final audit again on 27 March 2023, with sign off expected at the end of April 2023. It is likely that an extraordinary Risk and Assurance meeting will be required in April or May to recommend the 2021/22 Annual Report to Council for adoption. Due to the current state of the Annual Report being an early draft, Council Officers did not think it appropriate to present the Annual Report to the Committee at this meeting.

WHAKAKAPINGA | CONCLUSION

It is recommended that the update be received and the requirement for an extraordinary Risk and Assurance Committee meeting in April or May be noted.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee receives the update on the 2021/22 Annual Report and notes the requirement for an extraordinary Risk and Assurance Committee meeting to be held in April or May 2023.

NGĀ TĀPIRIHANGA | ATTACHMENTS

Nil

5.3 ANNUAL PLAN 2023/24 UPDATE

Author: Kendall Goode, Policy Advisor

Authorised by: Julie Gardyne, Deputy Chief Executive Officer

TE PŪTAKE | PURPOSE

The purpose of this report is to provide the Risk & Assurance Committee with an update on the Annual Plan 2023/24. This is provided for information purposes and does not require any decision-making on the part of Committee members.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee receives the Annual Plan 2022/2023 Update.

NGĀ KŌRERORERO | DISCUSSION

Council is required to prepare an Annual Plan each year when there is not a Long-Term Plan (LTP). The Annual Plan sets the activity and budgets for the coming year and describes any variances from the forecast for that year as set out in the LTP.

Council is only required to consult on the Annual Plan if there is significant or material changes from LTP, as assessed against Council's Significance and Engagement Policy. Staff have recommended that consultation is undertaken for the 2023/24 Annual Plan. The primary reason for recommending consultation was due to changes caused by the current inflationary environment and increasing costs, resulting in the forecast rates increase of 3.74% in the 2021-31 LTP being unachievable with the agreed level of service.

Financial Challenges this Annual Plan

- Inflation is still persistent and significant uncontrollable cost increases have occurred;
- Cost uncertainty remains high, given the challenging economic environment;
- The cost of finance has risen substantially, and interest rates are forecast to rise further;
- The new 3 Waters regulator, drinking water standards, and other legislative pressures are creating additional costs;
- The 'cost of living crisis' is creating concerns around community affordability for rates rises;
- There is uncertainty around the impact and timing of Central Government reforms;
- District-wide Revaluations are likely to shift proportionally more rates to residential ratepayers and some communities more than others.

Annual Plan Preparation

The preparation of the Annual Plan was delayed until the beginning of December. This was primarily due to staff needing to prioritise several other projects, many involving meeting legislative requirements.

A budget review exercise was undertaken by cost centre managers in December 2022 to better understand Council's operational position with the increased costs and the likely rates impact. This information was provided to Council in December 2022, with staff advising that a comprehensive budget review exercise (focusing on finding savings) and review of the capital programme would be undertaken early in 2023.

Elected Members have been informed of the outcomes relating to the comprehensive review, including the steps staff have taken to make savings, areas of increased costs, potential options to reduce rates, risks associated with these options and proposed changes to fees and charges. From this exercise staff were able to inform Elected Members a rates requirement higher than the forecast 3.74% is more than likely. Details of key rates drivers have been provided, noting that a large component of the increased rating requirement is attributed to an increase in depreciation and finance costs.

Details of a potential capital works delivery programme which was more realistically achievable was also outlined to Elected Members and feedback has been provided to Council officers for incorporation into the Annual Plan. Elected Members will have the opportunity for a more detailed look at the composition of this programme in March.

With the current economic pressures needing to be balanced against the 'cost of living crisis' in the community and the impact of district wide revaluations (raising residential values proportionally higher), staff have considered financial levers which could reduce or smooth the rates impacts on the community.

One lever considered potentially appropriate by Council officers is the partial non-funding of depreciation. As budgets have been thoroughly reviewed and any possible savings already applied to the budgets, other potential methods will likely result in a change of level of service for our community and were not considered appropriate.

Council officers have provided potential options of non-funding between 8-15% of funded depreciation, with a view to fully fund depreciation again over the next 1-2 years. This guidance from Council officers balanced the current year rates impact with risks of deferring costs to future years or departing from our Revenue & Finance Policy (and subsequently intergenerational equity principles) and the likelihood of approval from the Department of Internal Affairs (DIA). Elected Members gave Council officers the direction to utilise this lever to assist with reducing rates requirement.

Finances will continue to be worked through in February and a final position presented in early March to Elected Members for consideration. A draft consultation document will also be provided for review in March, with staff working towards the consultation document being adopted prior to consultation beginning on 24 March.

Key Risks

As the Annual Plan process has unfolded, the key risks identified are:

- **Budget uncertainty**

Due to the uncertainty in the current economic environment, financial assumptions and costs are more uncertain than usual. This is compounded by budgets being rationalised by Council officers to find savings. Due to these factors, there is a risk that the Annual Plan budgets could end up insufficient to deliver the proposed plan and agreed level of service.

- **Future affordability issues created through deferral of costs**

Non-funding depreciation defers costs to future years and may create future affordability issues. Council is likely to plan to transition back to fully funding depreciation, to align with its Revenue & Financing Policy. This may create future affordability issues.

- **Approval of Annual Plan by DIA**

DIA approval is possibly needed for the Annual Plan decision to partially non-fund waters depreciation, as it likely triggers DIA transitional provisions. This could create issues if the decision is not supported by DIA.

- **Central Government Reform information timing**

Timing of reform information (particularly 3 Waters), that impacts on this Annual Plan, and the timing of any requirements for key staff needing to respond to information requests may impact the capacity and capability to deliver this Annual Plan on time.

- **Lack of community support for rates increases**

If many of the community object to Council's proposed rates increases during the Annual Plan consultation, there is a risk of lack of support for the proposed rates increase and Council would need to further non fund depreciation outside a financially prudent level or undertake level of service cuts outside of our project timeframes.

- **Finance system and process issues**

Finance are currently working in the Technology One Enterprise Budgeting financial system, which is not fully implemented. Finance have a range of processes that need to be completed outside of the system, which can make it difficult to prepare reliable budgets on time and make changes to the Annual Plan. This is a risk for quality and/or timeframes.

- **Capital works delivery**

Council's GM Operations and Delivery presented a proposed realistic capital delivery programme to Elected Members in February 2023. There is another workshop scheduled in March for a detailed review from Elected Members and any changes will be processed with submission changes after community consultation has occurred. If significant changes are made by Elected Members, this creates risk of an unrealistic capital works programme and potential risk in being able to get consultation changes processed prior to Annual Report adoption.

- **Lean timeline**

The delayed project start has created a lean timeline. A project timeline has been developed and circulated and identifies key milestones associated with the Annual Plan. The timeframe has little

room for movement which creates pressure on staff to meet deadlines and Elected Members appropriate engagement.

WHAKAKAPINGA | CONCLUSION

The 2023/24 Annual Plan is challenging due to current economic challenges and the timeframes to deliver the project. Staff have made savings where possible and without altering the level of service delivered to our community, identified a potentially appropriate tool to Elected Members to enable a rates reduction, acknowledging risks associated with this.

NGĀ TĀPIRIHANGA | ATTACHMENTS

Nil

5.4 OUTSTANDING AUDIT MANAGEMENT REPORT MATTERS - FEBRUARY 2023

Author: Jeanette Paenga, Finance Manager

Authorised by: Sarah Matthews, General Manager Finance and Environment

TE PŪTAKE | PURPOSE

To outline outstanding management report items and detail the original audit recommendations, most recent audit status, the priority of the recommendation (from audit), and up to date status provided by Council Officers.

Audit update their recommendations with each audit (both interim and final annual report audits). Because there is a lag between the actions taken to address recommendations in the audit management report and official updates this by audit, this item is intended to document the progress officers have made in clearing these findings and help provide the Risk and Assurance Committee assurance that these items are being actively addressed.

The outstanding management report items will be kept up to date and will be submitted to the Risk and Assurance Committee at each meeting.

WHAKARĀPOPOTOTANGA MATUA | EXECUTIVE SUMMARY

There were 26 outstanding recommendations on Council's 2020/21 audit management report (Council's most recent report), 15 recommendations were from previous years and 11 new recommendations.

Council Officers are working on improvements to address these recommendations. Of these recommendations 16 have been noted by Council Officers as no further action proposed or required the remaining 10 are noted as progressing.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee receives the report on Outstanding Audit Management Report Matters (RACC20230302_5971_5668_1).

TE WHAKAMAHIKI | BACKGROUND

The report has not been presented previously, however, the most recent audit management report was presented to the Risk & Assurance Committee at its meeting in March 2022.

Taupō District Council's most recent Audit Management Report was completed as part of their Annual Report audit visit for the 2020/21 financial year. Audit provided 11 new recommendations and reviewed the outstanding recommendations, which resulted in 10 items being closed and left 15 recommendations outstanding from previous years.

No interim audit was completed for the 2021/22 year, so the next opportunity for recommendations to be formally updated is during the final 2021/22 audit, which is expected to be finalised in March 2023. Council Officers are hoping that some of these items will be closed by audit, noting that the absence of an interim audit and significant pressure in the audit sector, may result in some of these items reflected below not being updated.

NGĀ KŌRERORERO | DISCUSSION

At each meeting of the Risk and Assurance Committee, a report on outstanding management report items will be provided to give members an update on outstanding recommendations arising from Council's audit management reports. This report provides the latest update on the status of management follow-up actions on the outstanding management report recommendations for all prior years.

Outstanding management report items are outlined in this report which shows the original audit recommendations, most recent audit status, the priority of the recommendation (from audit), and up to date status provided from Council's management. Because there is a lag between management report official updates received from Audit, this item documents the progress officers have made in clearing these findings.

Audit will revisit the remaining findings during their final audit visit.

Officers have furthermore simplified the report by reducing the detailed tables and made comments in relation to an up-to-date status.

A summary of all open audit management report matters is as follows:

Recommendations from 2014/15

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Project management</p> <p>We recommend improvements are made with regards to:</p> <ul style="list-style-type: none"> • Further refinement to the Strategic Plan. • Refinement of strategic mapping matching projects to benefits, outcome, and strategy. • The use of business cases is currently a work in progress. Currently, business cases are typically only used for large projects, however the expectation would be that there are business cases for all projects. 	<p>Project management is an area the District Council is still progressing, including further development of the project excellence programme, business cases for large projects and "lessons learnt" template being circulated for large projects.</p> <p>There are still some areas identified for improvement, including aligning business cases to the LTP and annual plan for all projects and implementing a centralised system for project management, monitoring, tracking, and reporting.</p> <p>Matter outstanding.</p>	<p>Necessary</p>	<p>In FY20/21 Council's first Project Management office was setup. This operates on a hybrid model where many, but not all Council projects are centrally managed. A refresh of the project management methodology (based on Prince2) includes the redevelopment of business case templates. These fit for purpose templates are linked to strategic Annual and Long-term Plan outcomes for TDC along with key aspects of resource usage, deliverability (external market situation) and benefits realisation. A Senior Business Analyst is currently being recruited to support the development of more detailed business cases for strategic projects. As we are currently completing Asset Management Plans for the business, business cases are being prepared to support the LTP.</p> <p>Matter progressing.</p>

Recommendations from 2015/16

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Procurement and contract management</p> <p>The procurement guidelines and practices are updated to include the following points:</p> <ul style="list-style-type: none"> • include guidance on the use of Contract Management Plans, what to do when contract performance obligations and expectations are not being met; and • a programme of review of 	<p>The District Council has yet to develop guidance for the use of contract management plans and a formal programme of review.</p> <p>Matter outstanding.</p>	<p>Beneficial</p>	<p>How we manage our Contract Management is discussed in our Procurement Strategy.</p> <p>The programme of review of current Contracts is done through the Contract Management module within ci-anywhere. There is an adjustable "dates" field to record when such meetings are due, and you can upload any notes taken at such meetings</p>

<p>procurement contracts - currently this is limited to an ad-hoc approach to reviewing individual procurements. Clear guidance on what action is to be taken in response to findings.</p>			<p>within this tool.</p> <p>As this is a new system we are still bedding in the processes & behaviours and are working towards consistent use of the tool where appropriate</p>
			<p>Matter progressing.</p>

Recommendations from 2016/17

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Service request/work order system</p> <p>The District Council improves its service request system to ensure that data is valid and complete.</p>	<p>We note progress in this area, with the District Council entering into an agreement with TechOne in 2019.</p> <p>The TechOne system for performance development was budgeted to go live during the 2020/21 financial year however, due to unforeseen circumstances, this date has now been revised to March 2022 (during the 2021/22 financial year).</p> <p>Matter progressing.</p>	<p>Necessary</p>	<p>Implementation still progressing, was delayed due to COVID and resourcing challenges.</p> <p>Matter progressing.</p>
<p>Centralised contracts register</p> <p>A centralised contract register is implemented that includes the total contract value let, start date, expiry date and any additional information that may assist with contract renewal decisions.</p>	<p>No centralised contracts database has been implemented.</p> <p>This is being progressed as part of Project Quantum</p> <p>Matter progressing.</p>	<p>Beneficial</p>	<p>Centralised contracts register implemented however it is not working as well as it could</p> <p>Matter progressing.</p>

Recommendations from 2017/18

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Wastewater fault response timetables</p> <p>Ensure the processes Downer uses to capture and report the data is complete and accurate as per their contractual responsibilities.</p> <p>The District Council encourages Downer to record a resolution time for all service requests as part of their contractual obligations.</p>	<p>Council is still working to resolve this issue. There are meetings scheduled with Downer and the asset team to discuss the way forward. Management expects this issue to be fully resolved before year end (30 June 2021).</p> <p>In the current year, we identified similar issues such as zero minute response and resolution times.</p>	<p>Urgent</p>	<p>The Downer system has never been able to integrate to our system, they send us a report which shows the resolution time which is recorded in the resolution comments in Asset finda. As with any manual system when time pressures come this data entry can sometimes fall away.</p> <p>With the impending transfer of three waters operation to Entity B there are no plans to integrate the Downer system with</p>

	<p>This matter was still outstanding for a portion of the financial period and was a contributing factor to issuing a modified audit opinion.</p> <p>We will follow up any progress made during our 2022 audit.</p> <p>Matter progressing.</p>		<p>Assetfinda</p> <p>No further action is proposed.</p>
<p>Electronic purchase order system</p> <p>The following recommendations were made:</p> <ul style="list-style-type: none"> Options are investigated to implement further electronic controls to ensure segregation of duties. A check is completed on a regular basis to identify instances where purchase orders are split. Consideration is given for the procurement policy to include the requirement for an underlying contract for all suppliers with an annual spend greater than a set amount. 	<p>These matters all remain outstanding, however, we understand the matters should be resolved with the implementation of the new FMIS.</p> <p>Matter progressing.</p>	Urgent	<p>We have implemented a new system to manage purchase orders.</p> <p>The instance of split orders we believe was a one-off we run regular purchase order training for existing & new staff and the delegations register is being reviewed and there will be further opportunities for training when this is complete</p> <p>Council now have a Facilities Panel Agreement which covers Electrician, Plumbers, Air Conditioning, Builders & Cabinetmakers. We have a list of preferred suppliers for this work. Note we also have a District Plan Review Panel & a Consultant Panel & a Water Reticulation Panel These are 3 year contracts and are tied to the delivery of the LTP.</p> <p>No further action is proposed</p>

Recommendations from 2018/19

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Formalise information system/information technology change management procedures</p> <p>Requests for program changes, system changes and maintenance are standardised, logged, approved, documented and subject to formal change management procedures.</p>	<p>A new change management process was developed in the 2020 audit in SharePoint by IT, and has been continually used for infrastructure changes. It is proposed that this will continue to be improved and will be used for application changes.</p> <p>Quantum change management continues to follow formalised processes, including user testing and signoff.</p> <p>A handover of management</p>	Necessary	<p>A change management process has been implemented and has been audited in FY22 audit and will be removed from the next management letter</p> <p>No further action is required</p>

	<p>of changes to TechnologyOne payroll system from the project to IS operations is yet to occur.</p> <p>Matter outstanding.</p>		
<p>Develop and test organisational business continuity (BCP)</p> <p>Develop and test organisational business continuity plans with each of its departments to ensure that services continue to be provided after an event.</p>	<p>BCP development was put on hold because of the Covid-19 pandemic. No IT issues have been encountered due to Covid-19 during the year. Staff that needed to work were able to.</p> <p>The new proposed BCP framework has not yet been presented to the Audit and Risk Committee and Council.</p> <p>Council has recently appointed a new ICT Operations Team Lead who has the skills required to help develop an improved BCP.</p> <p>Matter outstanding.</p>	Necessary	<p>The Risk and Assurance Committee adopted a Business Continuity Policy and Framework in June 2020 to address a lack of a documented policy and framework for business continuity and resilience planning. A review of Business Continuity Plans for Wastewater and Water Supplies followed, with specific pandemic BCPs being developed as required during the Covid outbreak. It is expected that business continuity and resilience planning will be further advanced this financial year.</p> <p>Matter progressing.</p>
<p>Bribery and corruption</p> <p>Consideration is given to the suggested Policy and practice improvements relating to bribery and corruption.</p>	<p>Policies have not been updated to include bribery and corruption practice improvements.</p> <p>Management have noted this is now covered in the Fraud Policy which was reviewed by the RAC during 2021. We will review this Fraud Policy during our 2022 interim audit visit.</p> <p>Matter progressing.</p>	Beneficial	<p>This is now included in the Fraud Policy</p> <p>No further action is required</p>

Recommendations from 2019/20

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Water supply and wastewater median resolution times</p> <p>Enhance controls and review processes to ensure that attendance and resolution times are recorded accurately in their customer service request system.</p>	<p>Council is still working to resolve this issue. There are meetings scheduled with Downer and the asset team to discuss the way forward. Management expects this issue to be fully resolved before year end (30 June 2021).</p> <p>This matter was still outstanding for a portion of the financial period and was a contributing factor to issuing a modified audit opinion.</p>	Urgent	<p>The Downer system has never been able to integrate to our system, they send us a report which shows the resolution time which is recorded in the resolution comments in Asset finda. As with any manual system when time pressures come this data entry can sometimes fall away.</p> <p>With the impending transfer of three waters operation to Entity B there are no plans to integrate the Downer system with Assetfinda</p>

	<p>We will follow up any progress made during our 2022 audit.</p> <p>Matter progressing.</p>		<p>No further action is proposed.</p>
<p>Review of payroll masterfile changes</p> <p>Payroll masterfile maintenance reports are independently reviewed by individuals who are unable to make changes in the payroll system.</p>	<p>Payroll masterfile maintenance reports are reviewed by individuals who are able to make changes in the payroll system.</p> <p>Matter outstanding.</p>	Necessary	<p>For rate changes and bank account changes there are two checks in the process by the person who enters it, and a second person checks the input and a record is kept of who entered and who checked.</p> <p>Following that we have a report that we use which is cross checked back to other payroll information, by a person that has not run the pay that is being checked. This is done prior to the pay being finalised.</p> <p>It is not possible to have an independent person from payroll checking the report as they would need to have access to payroll to check the information and read through all payroll info for the individual to ascertain what has been changed or if any changes have been made.</p> <p>No further action is proposed</p>
<p>Completeness of valuations</p> <p>All assets within a class are subject to periodic revaluation in accordance with the requirements of PBE IPSAS 17.</p>	<p>No significant completeness concerns were noted for the three waters revaluation; however we will continue to assess this finding in the 2021/22 financial year once roading assets have been revalued.</p> <p>Matter progressing.</p>	Necessary	<p>We have assessed the assets that have caused us issues in this area in the past and have ensured they are not an issue for the 2022/23 roading revaluation</p> <p>No further action is required</p>
<p>Valuer's recommended improvements – roading assets</p> <p>Review WSPs' recommendations and consider implementing these improvements to the overall completeness and accuracy of data used for valuations.</p> <ul style="list-style-type: none"> • consider running future valuations within the RAMM asset register using the RAMM Valuation Module; • where culvert components are partly wooden, identify these components separately from other materials to give 	<p>The matter remains open until such time as an updated roading valuation is performed.</p> <p>Matter outstanding.</p>	Necessary	<p>We will be considering running our next valuation from RAMM.</p> <p>To do this we will need to update condition information and construction costs prior to using RAMM for valuation purposes.</p> <p>We have now signed up to Co-lab SAMS contract (Structure Asset Management Services) so inspections of bridges and culverts and retaining walls are included (general inspections done every 2 years) and assessments/data collection are now consistent with other TLAs. It is understood general</p>

<p>more accuracy to culvert remaining lives;</p> <ul style="list-style-type: none"> continue to maintain and develop the asset component register, obtain and utilise information on construction and renewal dates where available to improve the reliability of the valuation; assessment of the condition information to be provided when it is available to improve expected and remaining lives of assets, as well as the accuracy of valuation; and continue to update construction costs to provide up to date information for future valuation updates. 			<p>inspections will include any change in materials and documented.</p> <p>We have started to undertake high speed data (HSD) of our network to improve our condition assessment of the pavement. The information from these surveys is uploaded RAMM and can be used to perform a forward works programme, undertake an asset valuation, plan maintenance activities on the network etc.</p> <p>Matter progressing.</p>
<p>Approval of journals</p> <p>Journals are independently reviewed before they are posted.</p>	<p>Council is still working to resolve this issue. Council expects this issue will be resolved with the adoption of the new accounting system.</p> <p>Matter outstanding.</p>	<p>Necessary</p>	<p>All journals have been electronically approved within CiAnywhere since October 2021</p> <p>No further action is required</p>
<p>Long service leave calculation</p> <p>Implement a reporting function within the payroll system to generate data to be able to confirm the long service leave calculation.</p>	<p>A reporting function within the payroll system has not been implemented to generate the data to enable confirmation of the long service leave calculation.</p> <p>Matter outstanding.</p>	<p>Beneficial</p>	<p>I believe this comment relates to the long service actuarial accrual not the long service leave accrual. The calculation is run outside payroll by a predefined system calculation process. We will investigate if there is a system logfile we can access which shows the calculation.</p> <p>Matter progressing</p>

New Recommendations from 2020/21

Audit recommendation	Most recent audit status	Priority	Management status update
<p>Capitalisation of internally generated cost</p> <p>Implement a formal policy for the capitalisation of employee time on internally generated projects.</p>	<p>New recommendation - N/A</p>	<p>Necessary</p>	<p>Management plans to implement a management policy in respect of capitalised staff time before the end of the 2022/23 financial year.</p> <p>Matter progressing</p>
<p>Asset capitalisation process</p> <p>Review the process for the capitalisation of significant capital projects from work in progress to commissioned assets.</p>	<p>New recommendation - N/A</p>	<p>Necessary</p>	<p>Our asset management team has documented their procedures relating to what they do at the end of the financial year. With significant projects we have to be quite flexible and be able to understand the contract and what is involved, we need to get better at the beginning of</p>

			the contract process with our documentation. Matter progressing.
Risk register Ensure the risk register is refreshed and going forward regularly updated to reflect evolution of risks and mitigations.	New recommendation - N/A	Necessary	2022 Strategic Risk Register was received at Risk & Assurance meeting 8 March 2022 and this is reported on quarterly. No further action is required
Resolution comments on call out jobs Asset engineers follow up on work requests completed, to ensure issues have been resolved and documented in AssetFinda before claims are paid for work requests completed.	New recommendation - N/A	Necessary	We receive weekly updates from Downers and these are updated & signed off in the system before payment is made. No further action is required
High annual leave balances Implement a process to encourage employees to use their annual leave.	New recommendation - N/A	Necessary	It has been Management's long-term practice to encourage employees to take regular leave and formal processes are in place to highlight leave balances over 30 days to managers and for them to seek to agree formal leave plans with employees. We also encourage staff to make use of their entitlement to cash-out some leave but current legislation limits this to one week per year. During the Covid-19 pandemic many staff delayed leave and despite our efforts we expect that the overall leave liability will continue to rise in the medium term. In FY23 we are actively monitoring again. No further action is required
Depreciation not in line with policy Complete a review to ensure all depreciation rates are in line with Council's policy, or that the policy is updated to reflect appropriate depreciation rates.	New recommendation - N/A	Necessary	Depreciation rates are under constant review and the inaccurate rates identified during the audit have now been corrected. Rates often change at time of revaluation due to the valuers assessment of the useful life, so it we need to ensure that any changes are reflected in our accounting policies. No further action is required
Disposal of vehicles to staff below market value Managers are aware of the contents of the Asset	New recommendation - N/A	Necessary	At the time of these transactions TDC's Vehicle Policy stated that an employee who was a participant in the Salary Sacrifice Vehicle

<p>Disposal Policy and processes are implemented to ensure transactions are in line with this policy.</p> <p>Council approval is sought when practice is not in line with a Council approved policy.</p>			<p>Scheme was entitled to purchase their vehicle at depreciated value (book value) on terminating their employment. This policy was implemented on the basis that if an employee had directly funded the depreciation of a vehicle, they should not then be required to fund a depreciation recovery back up to market value when purchasing the vehicle.</p> <p>The Asset Disposal Policy and Vehicle Policy were in conflict and the Vehicle Policy has now been updated to remove the entitlement for employees to purchase Salary Sacrifice vehicles at book value.</p> <p>No further action is required.</p>
<p>Sensitive Expenditure: independence of approver</p> <p>Implement a process to ensure there is one-up approval on all expenditure. If the Approver is receiving a perceived or actual benefit from the transaction then it should be approved by that person's Manager (or in the CEO's case, the Mayor) on a one-up basis to ensure there is the independence and transparency.</p>	New recommendation - N/A	Necessary	<p>It is already our practice to attain one-up approval for such transactions. The expenditure discovered by audit was a Taituara (Local Government NZ) meeting, which was hosted by the CEO and held at the Great Lake Centre in Taupo.</p> <p>There was no travel or accommodation involved and no substantial personal benefit.</p> <p>No further action is required.</p>
<p>Incomplete Interest Register</p> <p>Additional training is provided to management and Councillors around interest declarations, and a process is implemented to ensure all Councillors and key management personnel declare all interests (including for entities that Council does not engage with).</p>	New recommendation - N/A	Necessary	<p>We have completed an interest register for Councillors and also have a Register of Pecuniary Interests which is a new statutory requirement under the LGA 2022, this was published on the Council's website on the 13 Feb 2023. Management complete a declaration at the end of each financial year. Due to a relatively new executive we have asked for their information now.</p> <p>No further action is required</p>
<p>Local authority required to make publicly available CCO documents</p> <p>Required documents for all CCOs are clearly visible on the Taupō District Council website to ensure compliance with the Local Government Act 2002.</p>	New recommendation - N/A	Beneficial	<p>We are in the process of ensuring that all documents are loaded.</p> <p>Matter Progressing</p>

<p>Sensitive Expenditure Policy improvement</p> <p>Update the Council's Sensitive Expenditure policies to incorporate the latest good practice guidelines from the Office of the Auditor-General.</p>	<p>New recommendation - N/A</p>	<p>Beneficial</p>	<p>The Sensitive Expenditure Policy is currently under review with reference to the good practice guidance outlined by audit, and the policy version online has now been updated.</p> <p>No further action is required.</p>
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WHAKAKAPINGA | CONCLUSION

It is recommended that the report be received.

NGĀ TĀPIRIHANGA | ATTACHMENTS

Nil

5.5 TAUPO DISTRICT COUNCIL PERFORMANCE REPORT - JANUARY 2023

Author: Jeanette Paenga, Finance Manager

Authorised by: Sarah Matthews, General Manager Finance and Environment

TE PŪTAKE | PURPOSE

This report provides the Risk and Assurance Committee with an overview of the performance of the organisation.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee notes the information contained in the Performance Report for the month of January 2023.

NGĀ TĀPIRIHANGA | ATTACHMENTS

1. January 2023 Performance Report

5.6 SIX-MONTHLY REVIEW OF SENSITIVE EXPENDITURE

Author: Jamie Dale, Risk Manager

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

TE PŪTAKE | PURPOSE

To update Committee members of the findings of the Sensitive Expenditure policy compliance review and highlight any areas for improvement.

NGĀ KŌRERORERO | DISCUSSION

This report is completed every six months to ensure formal internal reviews of sensitive expenditure are undertaken that meet Audit NZ requirements and respond to the concerns raised by Audit NZ in 2012. These reports are reviewed as part of the regular reporting undertaken by Audit NZ.

Changes to how we work post Covid-19 continue to impact on the type and amount of sensitive expenditure being incurred. The use of webinars and other internet-based training has seen a significant reduction in travel and accommodation with the flow on effect for meals and other expenses associated with this.

The implementation of the CiAnywhere finance modules is now allowing closer monitoring of sensitive expenditure. Monitoring is now able to be undertaken monthly that allows earlier detection of potential issues and the ability to resolve them immediately. With this additional monitoring, the controls in place for managing sensitive expenditure are working well and no non-compliances with the Policy were identified.

WHAKAKAPINGA | CONCLUSION

The ongoing reviews of sensitive expenditure aid Council's overall risk management profile and are entirely in keeping with the current Risk Management Charter. The improved reporting capabilities in CiAnywhere are allowing more effective monitoring of sensitive expenditure and this helps promote greater awareness of the requirements of the Sensitive Expenditure Policy and greater compliance with it.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee receives the Sensitive Expenditure Report for the six-month period 1 July 2022 – 31 December 2022

NGĀ TĀPIRIHANGA | ATTACHMENTS

1. Sensitive Expenditure Report for the 6 month period 01 July 2022 – 31 December 2022

5.7 STRATEGIC RISK REGISTER UPDATE

Author: Jamie Dale, Risk Manager

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

TE PŪTAKE | PURPOSE

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

NGĀ KŌRERORERO | DISCUSSION

The current Strategic Risk Register was created in 2021 using risks identified by the Council's Executive Team in late 2021 and reviewed by the Risk and Assurance Committee at a workshop held in February 2022. Following this meeting, progress on managing these risks was reported to the Committee quarterly.

The risks covered by this Register include:

1. Inadequate Preparation for Change
2. Failure to Maintain ICT Systems and Secure Records
3. Failure to Attract and Retain Competent Workforce
4. Ineffective Relationship with the Community
5. Inadequate Workplace Health and Safety
6. Failure to Plan and Manage Council's Finances
7. Creating Compliance and Legal Liabilities

This Register is now due for review for the 2023 year to include new and emerging risks that might prevent Council from achieving its objectives and meeting community outcomes. These risks then require monitoring by the Executive Team and Committee.

Following the risk management framework specified in AS/NZS ISO31000:2018 Risk Management – Principles and Guidelines this review could be completed by undertaking a brainstorming session with the Executive Team that would cover establishing the context, identification, analysis and evaluation of risks, and what treatments are currently in place or are planned to be put in place as per AS/NZS ISO31000:2018.

From this, an updated Strategic Risk Register can be developed and reported to the Committee at its next meeting. This report would cover:

- The implementation and effectiveness of controls;
- Any changes in the internal or external context and whether a risk has changed and requires escalation, or is no longer valid and can be closed; and
- Any new or emerging risks.

Attached to this report is a copy of the 2022 Strategic Risk Register for the Committee's information. It is envisaged that this format will be used again as it summarises and identifies the potential impact of the risks, the risk drivers or causes, and the controls used to manage the risks.

WHAKAKAPINGA | CONCLUSION

Clause 8 of the current Risk Management Charter requires the Council's Executive Team to document and monitor the progress on managing strategic risks and regularly report to the Committee.

The current Strategic Risk Register is now due for review and updating. The Executive Team will be undertaking a review to the Register and will report to the Committee at the next meeting.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee receives the Strategic Risk Register update

NGĀ TĀPIRIHANGA | ATTACHMENTS

1. February 2022 Strategic Risk Register

5.8 SCHEDULE OF POLICIES FOR REVIEW, REPORTING AND AUDIT 2023

Author: Jamie Dale, Risk Manager

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

TE PŪTAKE | PURPOSE

To receive a Schedule of Policies for Review, Reporting and Audit that includes policies regularly reviewed by the Committee, together with risk management reports and audit reports received and considered by the Committee in accordance with the Committee's Terms of Reference.

NGĀ KŌRERORERO | DISCUSSION

The attached Schedule of Policies for Review, Reporting and Audit details the policies regularly reviewed that are reported to the Committee and incorporates this with all known audits and risk management reports.

On the agenda for this meeting are updates to the Annual Report and Annual Plan, an introduction to the Strategic Risk Register and the six-monthly Sensitive Expenditure Review.

Additional review and reporting items may be added once the Committee adopts its work plan for the following year, due to be presented to the Committee's next quarterly meeting.

NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That the Risk & Assurance Committee receives the Schedule of Policies for Review, Reporting and Audit 2023

NGĀ TĀPIRIHANGA | ATTACHMENTS

1. Schedule of Policies for Review, Reporting and Audit 2023

6 CONFIDENTIAL BUSINESS

RESOLUTION TO EXCLUDE THE PUBLIC

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 6.1 Fraud Policy Update	Section 6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial 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 6 and 7

I also move that *[name of person or persons]* be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of *[specify]*. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because *[specify]*.