

I hereby give notice that an ordinary meeting of the Audit and Risk Committee will be held on:

Date: Monday, 12 February 2018
Time: 11:00am
Meeting Room: Room 1, Level 26
Venue: 135 Albert Street
Auckland

Komiti Tātari me te Mātai Raru Tūpono / Audit and Risk Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Sue Sheldon, CNZM
Deputy Chairperson	Cr Greg Sayers
Members	Deputy Mayor Bill Cashmore Paul Conder Cr Richard Hills Bruce Robertson
Ex-officio	Mayor Hon Phil Goff, CNZM, JP IMSB Chair David Taipari

(Quorum 3 members)

Quorum must include two Governing
Body members

Mike Giddey
Governance Advisor

7 February 2018

Contact Telephone: (09) 890 8143
Email: mike.giddey@aucklandcouncil.govt.nz
Website: www.aucklandcouncil.govt.nz

Terms of Reference

Purpose

The purpose of the Audit and Risk Committee is to assist and advise the Governing Body in discharging its responsibility and ownership of governance, risk management, and internal control.

The committee will review the effectiveness of the following aspects of governance, risk management and internal control:

- enterprise risk management (ERM) across the Auckland Council group
- internal and external audit and assurance
- integrity and investigations
- monitoring of compliance with laws and regulations
- significant projects and programmes of work focussing on the appropriate management of risk
- oversight of preparation of the LTP, Annual Report, and other external financial reports required by statute.

The scope of the committee includes the oversight of risk management and assurance across council's CCOs with respect to risk that is significant to the Auckland Council group.

To perform his or her role effectively, each committee member must develop and maintain his or her skills and knowledge, including an understanding of the committee's responsibilities, and of the council's business, operations and risks.

Decision-Making Powers

The committee has no decision making powers.

The committee may request expert advice through the chief executive where necessary.

The committee may make recommendations to the Governing Body and / or chief executive.

Tenure

External members will be appointed for an initial period not exceeding three years, after which they will be eligible for extension or re-appointment, after a formal review of their performance, and have not already served two terms on the committee. Councillors appointed to the committee will automatically cease to hold office at the time of the local authority triennial elections. They may be eligible for re-appointment post those elections if they are returned to office and have not already served two terms on the committee.

The chief executive, and the senior management team members will not be members of the committee.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the council. At least one member of the committee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

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Committee's responsibilities

The committee's responsibilities are detailed below.

Forward Work Programme

The committee will agree and approve annually a forward work programme – which will consist of in depth briefings and reviews of specific significant risks and assurance strategies, as contained in the ERM “Top Risks” or Auckland Council’s work plan.

Risk management

- Review, approve and monitor the implementation of the ERM policy, framework and strategy (including risks pertaining to CCOs that are significant to the Auckland Council group).
- Review and approve the council’s “risk appetite” statement.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and / or emerging risks, and any subsequent changes to the ERM “Top Risk” register.

Internal Audit

- Review annually the Internal Audit Charter – which confirms the authority, independence and scope of the function.
- Review and approve annually and monitor the implementation of the 3 year Internal Audit Strategy and 12 month detailed Internal Audit Plan.
- Review the co-ordination between the risk and internal audit functions – including the integration of the council’s ERM risk profile with the Internal Audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the Internal Audit functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to CCOs that are significant to the Auckland Council group)
- Review and monitor management’s responsiveness to the findings and recommendations – enquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity

- Review and approve annually, and monitor the implementation of, the Fraud and Integrity Strategy, including detailed work programme.
- Review annually the whistleblowing procedures and ensure that arrangements are in place by which staff, may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected members, local board members, management, staff, consultants and contractors.

- Review reports from the Risk, Internal Audit, Integrity and Investigations, external audit and management related to whistle blower, ethics, bribery and fraud related incidents.

Statutory Reporting

Review and monitor the integrity of the interim and annual report including statutory financial statements and any other formal announcements relating to the council's financial performance, focussing particularly on:

- compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards
- compliance with applicable legal requirements relevant to statutory reporting
- the consistency of application of accounting policies, across reporting periods, and the Auckland Council group
- changes to accounting policies and practices that may affect the way that accounts are presented
- any decisions involving significant judgement, estimation or uncertainty
- the extent to which financial statements are affected by any unusual transactions and the manner in which they are disclosed
- the disclosure of contingent liabilities and contingent assets
- the clarity of disclosures generally
- the basis for the adoption of the going concern assumption
- significant adjustments resulting from the audit.

External Audit

- Discuss with the external auditor before the audit commences:
 - the nature and scope of the external audit
 - areas of audit focus
 - error and materiality levels.
- Review with the external auditors representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditors management letter and management responses, and inquire into reasons for any recommendations not acted upon.
- Where required, the chair may ask a senior representative of the Office of the Auditor General to attend the committee meetings to discuss the office's plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations

Other committees dealing with CCO matters may refer matters to the Audit and Risk Committee for review and advice.

This committee will enquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Auckland Council or the

- wider group, the committee will also ensure that all affected entities are aware of and appropriately managing the risk.

The Head of Risk and Head of Internal Audit are responsible for the provision of quality risk, assurance, insurance and ethics and integrity services for all CCOs except Auckland Transport and Watercare (with the exception of insurance services which are provided to Auckland Transport). Auckland Transport and Watercare have their own risk and assurance functions. The Head of Risk and Head of Internal Audit are responsible for monitoring CCO risk and internal audit strategies with respect to risks that are significant to the Auckland Council group.

Annual Report on the work of the committee

The chair of the committee will submit a written review of the performance of the committee to the chief executive on an annual basis. The review will summarise the activities of the committee and how it has contributed to the council's governance and strategic objectives. The chief executive will place the report on the next available agenda of the governing body.

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Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.

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1 Apologies

At the close of the agenda no apologies had been received.

2 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3 Confirmation of Minutes

That the Audit and Risk Committee:

- a) confirm the ordinary minutes of its meeting, held on Wednesday, 6 December 2017, including the confidential section, as a true and correct record.

4 Petitions

At the close of the agenda no requests to present petitions had been received.

5 Public Input

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Governance Advisor, in writing, no later than **one (1) clear working day** prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of **thirty (30) minutes** is allocated to the period for public input with **five (5) minutes** speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

6 Local Board Input

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to **five (5) minutes** during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give **one (1) day's** notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.

7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
 - (i) The reason why the item is not on the agenda; and
 - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
 - (i) That item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

8 Notices of Motion

There were no notices of motion.

Scope of the Committee's role with respect to the Consultation Document

File No.: CP2018/00544

Item 9

Te take mō te pūrongo / Purpose of the report

1. To confirm the scope of the Audit and Risk Committee's review of the 2018-2028 Long-term Plan (including Consultation Document).

Whakarāpopototanga matua / Executive summary

2. The 2018 - 2028 Long-term Plan process represents the first time that the Audit and Risk Committee has had a governance role with respect to both the Long-term Plan itself, and the Consultation Document.
3. The attached memo from the Chair of the committee clarifies the scope of this committee's review of the Consultation Document, Long-term Plan and supporting information.

Ngā tūtohunga / Recommendation/s

That the Audit and Risk Committee:

- a) note the attached memorandum from the Chair of the Audit and Risk Committee that clarifies the scope of this committee's review of the Consultation Document, Long-term Plan and supporting information.

Ngā tāpirihanga / Attachments

No.	Title	Page
A 	Scope of the Committee's Review of the Long Term Plan (including Consultation Document)	15

Ngā kaihaina / Signatories

Author	Mark Maloney - Head of Internal Audit
Authorisers	Matthew Walker - Acting Group Chief Financial Officer Phil Wilson - Governance Director

Memo from: Sue Sheldon CNZM, Chair Audit and Risk Committee

Memo to: Audit and Risk Committee

Date: 22 January 2018

Subject : Scope of Audit and Risk Committee's review of 2018-2028
Long Term Plan and Consultation Document

Introduction

The purpose of this memo is to

- Clarify the scope of the Audit and Risk Committee's (the Committee's) role and responsibility with respect to it discharging its duties to provide oversight over the preparation of the Long Term Plan (LTP) (including the Consultation Document (CD)).
- Distinguish the scope of the Committee's responsibility from that of the Governing Body.
- Clarify the likely wording of the recommendation that will arise from the 12 February 2018 Committee meeting.

Background

- The Council is currently producing its 2018-2028 LTP. It must adopt its LTP before the beginning of the first year to which it relates.¹ It must utilise a special consultative procedure to consult with its community on the content of that plan.²
- It will give effective to consultation through the preparation and adoption of the CD, which will be used as the basis for consultation.
- A special meeting of the Committee is scheduled to take place on 12 February. The sole agenda item is consideration of the draft CD. That meeting will be held in confidential; on the basis legal advice is being provided to the Committee.³
- The Governing Body will adopt the CD, together with supporting information on 21 February. This will be made available throughout the region for public consultation in late February 2018.
- Consultation will take place from the end of February. Feedback from consultation will be considered, and if appropriate included in the LTP. The LTP will be adopted by the Governing Body in June 2018.

¹ Section 93 (3) Local Government Act 2002

² Section 93 (2) Local Government Act 2002

³ Local Government Official Information and Meetings Act 1987 Section 7 (2) (g)

- The purpose of the CD is to provide an effective basis for public participation in local authority decision making relating to the content of the LTP by
 - Providing a fair representation of the matters that are proposed for inclusion in the long term plan, and presenting those in a way that
 - Explains the overall objectives of the proposals and how rates, debt and levels of service might be affected
 - Can be readily understood by interested or affected people.
 - Identifying and explaining to the people of the region, significant and other important issues and choices facing the council or region, and the consequences of those choices.
 - Informing discussions between the local authority and its communities about these matters.

Responsibility of the Governing Body

- The Governing Body is responsible for adopting the CD and LTP.
- The Governing Body clearly has the responsibility for the merits of the content of the CD and LTP – in particular they key matters being consulted on.
- The Governing Body is also responsible and accountable for the following “compliance” aspects of the preparation of the CD and LTP:
 - meeting all legal requirements relating to its processes, decisions, consultation, disclosures and other actions relating to the preparation and publication of the CD and LTP
 - having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a CD and LTP that meets the purposes set out in the Act
 - ensure that any forecasts financial information has been prepared in accordance with generally accepted accounting practice in New Zealand.
- To discharge its responsibility and accountability for these ‘compliance’ aspects the Governing Body takes the advice of the Committee – to provide it with assurance that these responsibilities have been discharged.

Responsibility of the Audit and Risk Committee

- The purpose of the Committee is to assist and advise the Governing Body in discharging its ‘compliance’ responsibilities with respect to the CD and LTP.
- Specifically the Committee’s role is to review the effectiveness of governance over, the risks and the design and operation of internal control over the preparation of the CD and LTP.⁴
- The Committee does not have any responsibility for setting or changing any policy in the LTP.

⁴ Audit and Risk Committee Terms of Reference

- As an example the Committee will be briefed on, and will enquire as to how Council has ensured it has complied with the prudent financial management provisions of the Local Government Act 2002.⁵ In order for the Committee to form a view, it will need to understand the key matters on which Council intends to consult on, and how the options put forward to the community will impact on debt, rates and levels of service. However the committee does not have a view on the merits of the key matters themselves on which Council intends to consult.
- The committee will discharge its responsibilities by
 - receiving a report from Council officers about the draft CD (supplemented by enquiry of relevant Council officers) that outlines with respect to the draft CD:
 - the status of key controls including key assumptions underpinning the CD
 - key risks and risk team sign off
 - results of legal review and legal sign off
 - financial control review and sign off
 - results of the Asset Management Plan review and sign off
 - results of treasury review and sign off.
 - receiving a report and briefing from the Office of the Auditor General as to audit progress, and an assessment of any outstanding audit issues.
- The committee will have a specific focus on key assumptions, risks and the management there of those risks. This will focus on
 - satisfying themselves that project risks have been managed appropriately
 - understand from a process perspective how key assumptions have been applied within the CD and LTP
 - satisfying themselves that the risks around application of the assumptions have been articulated appropriately
 - satisfying themselves that there are appropriate processes in place to provide the assurance that key assumptions and risks are complete, accurate and reasonable.

Recommendation from the Audit and Risk Committee

- The Committee can make recommendations to the Governing Body. It is likely that the committee will resolve
 - that there are no significant outstanding audit issues relevant to the scope of the committees review of the 2018-2028 CD and supporting information. If there are significant outstanding issues, then this will be noted in the recommendation.
- The recommendation will note that the draft CD is still subject to
 - consideration by the Governing Body
 - final management review
 - any specific requirement of management to complete documentation prior to adoption by the Governing Body

⁵ Section 101 Local Government Act 2002

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- receipt of the independent auditors report
- the resolution of any outstanding significant audit matters.

Attachment A

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

a)

That the Audit and Risk Committee:

a) exclude the public from the following part(s) 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 follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Audit New Zealand Briefing Related to the 10-year Budget 2018-2028 Consultation Document

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest. In particular, the report contains findings of the audit review engagement for the 10-year Budget Consultation Document.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

C2 Update on Key Controls and Risks Related to the 10-year Budget 2018-2028 Consultation Document (Covering report)

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. In particular, the report contains legal advice being provided to the Committee.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.