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

### OPEN MINUTES

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Minutes of a meeting of the Audit and Risk Committee held in Room 1, Level 26, 135 Albert Street, Auckland on Monday, 28 May 2018 at 11:15am.

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#### PRESENT

<b>Chairperson</b>	Sue Sheldon, CNZM	
<b>Deputy Chairperson</b>	Deputy Mayor Bill Cashmore	
<b>Members</b>	Cr Ross Clow	Until 1.29pm, Item C4
	Paul Conder	
	Cr Richard Hills	
	Bruce Robertson	
<b>Ex-officio</b>	Mayor Hon Phil Goff, CNZM, JP	Until 1.29pm, Item C4

#### ABSENT

IMSB Chair David Taipari

#### ALSO PRESENT

Cr Dr Cathy Casey

#### IN ATTENDANCE

Greg Schollum, Deputy Auditor-General, Office of the Auditor-General  
Sarah Markley, Sector Manager, Local Government, Office of the Auditor-General  
Jo Smaill, Audit Director, Audit New Zealand

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Mayor Phil Goff addressed the meeting about the passing of Cr Dick Quax earlier that morning and the meeting observed a moment's silence.

## **1 Apologies**

There were no apologies.

## **2 Declaration of Interest**

Member Bruce Robertson declared that with effect from 30 April 2018 he had stepped down as an independent director of Morrison Low and effectively no longer had any real or financial interest with that firm.

## **3 Confirmation of Minutes**

Resolution number AUD/2018/19

MOVED by Chairperson S Sheldon, seconded by Member B Robertson:

**That the Audit and Risk Committee:**

- a) **confirm the ordinary minutes of its meeting, held on Monday, 26 February 2018, including the confidential section, as a true and correct record.**

**CARRIED**

## **4 Petitions**

There were no petitions.

## **5 Public Input**

There was no public input.

## **6 Local Board Input**

There was no local board input.

## **7 Extraordinary Business**

There was no extraordinary business.

## **8 Notices of Motion**

There were no notices of motion.

**9 Review Engagement Management Report for the six months ended 31 December 2017**

Resolution number AUD/2018/20

MOVED by Member P Conder, seconded by Cr R Hills:

**That the Audit and Risk Committee:**

- a) **note the issues identified by Audit New Zealand and the council's responses to the matters raised in the review engagement report for the six months ended 31 December 2017.**

**CARRIED**

**10 Risk and Insurance Quarterly Update**

Resolution number AUD/2018/21

MOVED by Deputy Chairperson BC Cashmore, seconded by Member P Conder:

**That the Audit and Risk Committee:**

- a) **note the update on enterprise risk management**
- b) **note the update on insurance activities**
- c) **note council's 2018 top risk register**
- d) **endorse the proposal for reviews of Top Risks to be included as part of the committee's forward work plan.**

**CARRIED**

**11 Review of aspects of Council's procurement given media commentary**

Note: changes to the original motion were incorporated under clauses b), c) and d) with the agreement of the meeting.

Resolution number AUD/2018/22

MOVED by Cr R Clow, seconded by Member B Robertson:

**That the Audit and Risk Committee:**

- a) **receive this report and note its findings.**
- b) **express concern that the councillor who made the allegations did not respond to requests for information.**
- c) **request that the Strategic Procurement Committee consider the report.**
- d) **request that the chairperson of the Audit and Risk Committee respond to the National Business Review.**

**CARRIED**

**12 Quarterly health and safety performance report**

Note: This item was deferred to the next meeting on 25 June 2018.

**13 NewCore Programme closure report**

Note: This item was deferred to the next meeting on 25 June 2018.

## 14 Forward Work Programme

Note: This item was deferred to the next meeting on 25 June 2018.

## 15 Consideration of Extraordinary Items

There was no consideration of extraordinary items.

## 16 Procedural motion to exclude the public

Resolution number AUD/2018/23

MOVED by Deputy Chairperson BC Cashmore, seconded by Cr R Hills:

**That the Audit and Risk Committee:**

- a) exclude the public from the following part(s) of the proceedings of this meeting.
- b) agree that Greg Schollum, Deputy Auditor-General, Office of the Auditor-General, Sarah Markley, Sector Manager, Local Government, Office of the Auditor-General and Jo Smail, Audit Director, Audit New Zealand be permitted to remain for all the confidential items after the public has been excluded, because of their knowledge of matters which will help the Audit and Risk Committee in its decision-making.

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 Auckland Council and Group financial year end 30 June 2018 reporting and audit requirements

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)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.  In particular, the report contains financial assumptions and judgements that have impact on the financial results of the Auckland Council Group as at 30 June 2018.	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 Auckland Council and Group pro forma financial statements for the year ending 30 June 2018

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)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.  In particular, the report contains information regarding the Annual Report for the year ended 30 June 2018.	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.

## C3 Update on Key Controls and Risks Related to the 10-year Budget 2018-2028

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.

## C4 Office of the Auditor-General and Audit New Zealand Briefing

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)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.  In particular, the report from Audit New Zealand contains information regarding the financial results of the Auckland Council Group as at 30 June 2018.	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.

**C5 Insurance Renewal - Indicative Council Group Programme for 2018-19 Period**

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
<p>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.</p>	<p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>In particular, the report contains preliminary indications of the proposed policies, indicative premiums and terms from insurers which are subject to consideration and negotiations.</p>	<p>s48(1)(a)</p> <p>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.</p>

**C6 Council-controlled organisations - quarterly risk reports**

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
<p>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.</p>	<p>s7(2)(c)(i) - 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 prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.</p> <p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>In particular, the report contains risk reporting and detailed top risks reported confidentially to the respective council-controlled organisation Boards or Audit and Risk Committees. This information has been provided subject to confidentiality.</p>	<p>s48(1)(a)</p> <p>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.</p>

### C7 Update on Holidays Act compliance

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
<p>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.</p>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>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.</p> <p>In particular, the report contains operational information, including details of internal audit activity, which if released may jeopardise the effective delivery of internal audit services.</p>	<p>s48(1)(a)</p> <p>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.</p>

### C8 Legal Risk 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
<p>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.</p>	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege.</p> <p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>In particular, the report contains information concerning legal proceedings, commercial negotiations and current claims against council.</p>	<p>s48(1)(a)</p> <p>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.</p>

**C9 Internal Audit and Integrity Progress 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.	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>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.</p> <p>In particular, the report contains operational information, which if released may jeopardise the effective delivery of internal audit services.</p>	<p>s48(1)(a)</p> <p>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.</p>

The text of these resolutions is made available to the public who are present at the meeting and form part of the minutes of the meeting.

**CARRIED**

12.00pm The public was excluded.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not publicly available.

1.48pm The public was re-admitted.

**RESTATEMENTS**

It was resolved while the public was excluded:

**C1 Auckland Council and Group financial year end 30 June 2018 reporting and audit requirements**

Resolution number AUD/2018/24

MOVED by Chairperson S Sheldon, seconded by Member B Robertson:

That the Audit and Risk Committee:

- a) receive the Auckland Council and Group Financial Year End 30 June 2018 Reporting and Audit Requirements report.
- b) note the presentation received by the committee with respect to building consent issues.

**Restatement**

- c) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

**C2 Auckland Council and Group pro forma financial statements for the year ending 30 June 2018**

Resolution number AUD/2018/25

MOVED by Chairperson S Sheldon, seconded by Member P Conder:

That the Audit and Risk Committee:

- a) approve the 30 June 2018 pro forma financial statements for Auckland Council and Group, subject to the pro forma financial statements being updated for any changes identified during the 30 June 2018 year end close process.
- b) request committee members provide feedback to staff by Friday 15 June 2018 and delegate the chair of the committee authority to approve any amendments that occur during the 30 June 2018 audit process.
- c) request that, prior to the September 2018 meeting of this committee, the Financial Control department forward to committee members the draft Auckland Council and Group 2017/2018 Annual Report and Summary Annual Report and request the committee members to review and provide feedback to the department.

Restatement

- d) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

**C3 Update on Key Controls and Risks Related to the 10-year Budget 2018-2028**

Resolution number AUD/2018/26

MOVED by Chairperson S Sheldon, seconded by Deputy Chairperson BC Cashmore:

That the Audit and Risk Committee:

- a) receive the audit management report on the audit of the Consultation Document for the 10-year Budget 2018-2028 at Attachment A and note the management responses included.
- b) note that effective internal controls were followed and that there were no significant legislative compliance issues relating to the consultation phase of the 10-year Budget 2018-2028 development process.

Restatement

- c) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

**C4 Office of the Auditor-General and Audit New Zealand Briefing**

Resolution number AUD/2018/27

MOVED by Chairperson S Sheldon, seconded by Member B Robertson:

That the Audit and Risk Committee:

- a) receive the information provided by the Auditor-General's representatives, Deputy Auditor-General Greg Schollum, Sector Manager - Local Government Sarah Markley and Audit Director, Audit New Zealand Jo Smail, and thank them for their attendance.

Restatement

- b) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

## **C5 Insurance Renewal - Indicative Council Group Programme for 2018-19 Period**

Resolution number AUD/2018/28

MOVED by Member P Conder, seconded by Member B Robertson:

That the Audit and Risk Committee:

- a) endorse the indicative council group insurance renewal programme for 2018/2019 year.
- b) refer the indicative programme to the Finance and Performance Committee for consideration and approval.
- c) agree that council continue to investigate options for the future management of risk to ensure appropriate transfer of risk to insurance and value for money in the next 12 months.

### Restatement

- d) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

## **C6 Council-controlled organisations - quarterly risk reports**

Resolution number AUD/2018/29

MOVED by Chairperson S Sheldon, seconded by Member P Conder:

That the Audit and Risk Committee:

- a) note the written risk updates provided by Auckland Transport, Panuku Development Auckland Limited, Auckland Tourism, Events and Economic Development Limited. and Watercare Services Limited.
- b) note the risk update presented by Regional Facilities Auckland Limited.

### Restatement

- c) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

## **C7 Update on Holidays Act compliance**

Resolution number AUD/2018/30

MOVED by Deputy Chairperson BC Cashmore, seconded by Member P Conder:

That the Audit and Risk Committee:

- a) receive this report on Auckland Council's compliance with the Holidays Act 2003.
- b) note the work that has been performed to date to identify non-compliance with the Holidays Act 2003, and to reconfigure our payroll systems.
- c) note that updates will continue to be reported to the committee regularly throughout the course of this review.

### Restatement

- d) agree that the report will remain confidential, but the decisions be restated in the open minutes.

**C8 Legal Risk Report**

Resolution number AUD/2018/31

MOVED by Member P Conder, seconded by Member B Robertson:

That the Audit and Risk Committee:

- a) note the legal risk report.

Restatement

- b) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.

**C9 Internal Audit and Integrity Progress Report**

Note: This item was deferred to the next meeting on 25 June 2018.

1.48pm

The Chairperson thanked Members for their attendance and attention to business and declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD  
AT A MEETING OF THE AUDIT AND RISK  
COMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....