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

OPEN MINUTES

Minutes of a meeting of the Audit and Risk Committee held in Room 1, Level 26, 135 Albert Street, Auckland on Thursday, 13 September 2018 at 2.18pm.

PRESENT

Chairperson	Sue Sheldon, CNZM	
Deputy Chairperson	Deputy Mayor Bill Cashmore	
Members	Cr Ross Clow	
	Paul Conder	
	Cr Richard Hills	Until 5.16pm, Item C4
	Bruce Robertson	
Ex-officio	IMSB Chair David Taipari	Until 3.30pm, Item C1

ABSENT

Ex-officio	Mayor Hon Phil Goff, CNZM, JP
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ALSO PRESENT

Cr Dr Cathy Casey	From 2.27pm, Item C1 until 5.50pm, Item C4
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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

Acknowledgement

The chairperson acknowledged Cecilia Tse, Head of Risk who was awarded the Risk Management Professional of the Year 2018 at the RiskNZ 2018 Awards of Excellence for leading the transformation of the council's risk culture. In addition, the Auckland Council (represented by the Risk team- Shivali Kukreja, Emma Mosely, Dean Hemens and Leanna Chappell) received the award for Excellence in Developing Capability in Risk Management 2018 for the innovative approach it took in designing and development of Our Charter to lift risk culture.

1 Apologies

Resolution number AUD/2018/55

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

That the Audit and Risk Committee:

- a) **accept the apology from Mayor P Goff for absence on council business.**

CARRIED

2 Declaration of Interest

There were no declarations of interest.

3 Confirmation of Minutes

Resolution number AUD/2018/56

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, 27 August 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.

Note: The chairperson accorded precedence to the confidential items at this stage.

Note: From this point forward, agenda items were taken in the following order:

Item

- 13 Procedural motion to exclude the public
- C1 Updates on the management of risks within council-controlled organisations
- 9 Monitoring of Treaty Audit Recommendations
- C1 Updates on the management of risks within council-controlled organisations (cont)
- C2 Draft 2017/2018 Annual Report and Summary Annual Report for Auckland Council and group
- C3 Audit of Building and Resource Consents
- C4 Office of the Auditor-General and Audit New Zealand briefing
- C5 Council-controlled Organisations - Quarterly Risk Reports
- C6 Cyber Security Risk Deep Dive - August 2018
- 8 Forward Work Programme
- 10 Role of the Audit and Risk Committee with respect to the City Rail Link Project
- 11 Risk and Insurance Management Update - September 2018
- 12 Consideration of Extraordinary Items

13 Procedural motion to exclude the public

Resolution number AUD/2018/57

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

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 of 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 Updates on the management of risks within council-controlled organisations

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 financial and operational information and details of audit findings which, if released, may jeopardise the commercial operations of the council-controlled organisations.	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 Draft 2017/2018 Annual Report and Summary Annual Report for Auckland Council and group

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)(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 financial assumptions and judgements that have impact on the financial results of the Auckland Council Group as at 30 June 2018.</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>

C3 Audit of Building and Resource Consents

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)(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>

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.	<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 from Audit New Zealand contains information regarding the annual report and financial results of the Auckland Council group as at 30 June 2018.</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>

C5 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
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)(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 organisations Boards or Audit and Risk Committees. These have 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>

C6 Cyber Security Risk Deep Dive - August 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.	<p>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.</p> <p>In particular, the report contains security sensitive information that could expose council to security breaches if made public.</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

2.21pm 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.

3.06pm The public was re-admitted.

Note: The chairperson accorded precedence to Item 9 – Monitoring of Treaty Audit Recommendations, at this time.

9 Monitoring of Treaty Audit Recommendations

Note: Recommendations e) and f) were incorporated with the consent of the meeting.

Resolution number AUD/2018/59

MOVED by IMSB Chair D Taipari, seconded by Cr R Hills:

That the Audit and Risk Committee:

- a) receive the Monitoring of Treaty Recommendations report.
- b) note the monitoring work that has been performed by the Internal Audit department.
- c) note the findings of Te Tiriti o Waitangi Audit Report 2018, and Auckland Council Group's Treaty Audit Response Programme.
- d) note that the Internal Audit department will report on a six-monthly basis on progress against the Treaty Audit Response Programme to this committee in accordance with the approved Internal Audit work plan.
- e) agree that action 24 Performance framework be included in the 2018 Treaty Audit Response Programme and that its progress against its timeline and closure criteria be reported to the committee in February 2019.
- f) amend the 2018 Treaty Audit Response Programme so that the overall completion date for outstanding recommendations from the 2012 and 2015 Treaty Audit Work Programme be changed from December 2018 to December 2019.

CARRIED

Public Excluded

Resolution number AUD/2018/60

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

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 of 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 Updates on the management of risks within council-controlled organisations (continued)

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 financial and operational information and details of audit findings which, if released, may jeopardise the commercial operations of the council-controlled organisations.	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 Draft 2017/2018 Annual Report and Summary Annual Report for Auckland Council and group

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 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.

C3 Audit of Building and Resource Consents

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)(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>

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.	<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 from Audit New Zealand contains information regarding the annual report and financial results of the Auckland Council group as at 30 June 2018.</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>

C5 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
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)(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>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>

	<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 organisations Boards or Audit and Risk Committees. These have been provided subject to confidentiality.</p>	
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C6 Cyber Security Risk Deep Dive - August 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
<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)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p> <p>In particular, the report contains security sensitive information that could expose council to security breaches if made public.</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

3.16pm 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.

6.13pm The public was re-admitted.

RESTATEMENTS

It was resolved while the public was excluded:

C1 Updates on the management of risks within council-controlled organisations

Resolution number AUD/2018/61

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

That the Audit and Risk Committee:

- a) note the governance level processes that exist to identify and manage risks within individual substantive council-controlled organisations.

Restatement:

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

C2 Draft 2017/2018 Annual Report and Summary Annual Report for Auckland Council and group

Resolution number AUD/2018/62

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

That the Audit and Risk Committee:

- d) agree that the decisions and the Draft Auckland Council and group 2017/2018 Annual Report and Summary Annual Report and attachments remain confidential.

C3 Audit of Building and Resource Consents

Resolution number AUD/2018/63

MOVED by Chairperson S Sheldon, seconded by Cr R Clow:

That the Audit and Risk Committee:

- a) note the work that has been undertaken to respond to the resource consent and building consent processing time errors reported by Audit New Zealand.
- b) note that Internal Audit department will continue to perform monthly audits and report the results of those to this committee.

Restatement

- c) agree that the decisions be restated in the open minutes, but that the Audit of Building and Resource Consents departments report remain confidential.

C4 Office of the Auditor-General and Audit New Zealand briefing

Resolution number AUD/2018/64

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

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 attachment will remain confidential, but the decisions be restated in the open minutes.

C5 Council-controlled Organisations - Quarterly Risk Reports

Resolution number AUD/2018/65

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

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 Panuku Development Auckland Limited.

Restatement

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

C6 Cyber Security Risk Deep Dive - August 2018

Resolution number AUD/2018/66

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

That the Audit and Risk Committee:

- a) note the outcome of the cyber security risk deep dive.
- b) endorse that this committee receives a progress update on completion of remedial actions at the next quarterly meeting.

Restatement

- c) agree that the decisions be transferred to the open minutes, but the report and attachments remain confidential.

8 Forward Work Programme

Resolution number AUD/2018/67

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

That the Audit and Risk Committee:

- a) **reconfirm its forward work programme.**

CARRIED

10 Role of the Audit and Risk Committee with respect to the City Rail Link Project

Note: Recommendation d) was incorporated with the consent of the meeting.

Resolution number AUD/2018/68

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

That the Audit and Risk Committee:

- a) receive this report.
- b) note that the Auckland Council investor risk profile will be tabled with the committee in December 2018.
- c) endorse that this committee receives regular investor risk reports with respect to City Rail Link, so that the committee can provide assurance to the Governing Body that Auckland Council's risks as project investor are appropriately identified and managed.
- d) request the Governing Body to confirm that this is the appropriate role of the committee.

CARRIED

11 Risk and Insurance Management Update - September 2018

Resolution number AUD/2018/69

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

That the Audit and Risk Committee:

- a) note the update on enterprise risk management.
- b) endorse council's quarterly risk register, risk heat map and future reporting to the Governing Body.
- c) note the update on the Auckland Council group's insurance placement.
- d) note the update on the 36th America's Cup Programme (AC36).
- e) agree that this committee receives quarterly reports of key risks to the AC36 programme so that the committee can provide assurance to the Governing Body that Auckland Council's risks as project investor have been appropriately identified and managed.

CARRIED

12 Consideration of Extraordinary Items

There was no consideration of extraordinary items.

6.40pm

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:.....