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 Wednesday, 5 December 2018 at 10.32am.

PRESENT

Chairperson
Sue Sheldon, CNZM

Deputy Chairperson
Deputy Mayor Cr Bill Cashmore

Members
Cr Ross Clow
Paul Conder
Cr Richard Hills
Bruce Robertson

Until 1.25pm, Item 13

ABSENT

Ex-officio
Mayor Hon Phil Goff, CNZM, JP
IMSB Chair David Taipari

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
Claudia Brink, Audit Manager, Audit New Zealand
1 Apologies

Resolution number AUD/2018/70
MOVED by Chairperson S Sheldon, seconded by Cr R Hills:
That the Audit and Risk Committee:
a) accept the apologies from Mayor P Goff for absence on council business, IMSB Chair D Taipari for absence and Cr R Clow for early departure on council business.
CARRIED

2 Declaration of Interest

There were no declarations of interest.

3 Confirmation of Minutes

Resolution number AUD/2018/71
MOVED by Chairperson S Sheldon, seconded by Cr R Clow:
That the Audit and Risk Committee:
a) confirm the ordinary minutes of its meeting, held on Thursday, 13 September 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 **Forward Work Programme**

Resolution number AUD/2018/72

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

That the Audit and Risk Committee:

a) adopt its revised forward work programme.

CARRIED

9 **Final management report on the audit of Auckland Council for the year ended 30 June 2018**

Resolution number AUD/2018/73

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

That the Audit and Risk Committee:

a) note the issues identified by the Office of the Auditor-General and the council’s responses to the matters raised in the final audit for the year ended 30 June 2018.

CARRIED

10 **Approval of the Audit New Zealand Review Engagement Letter for the six months ended 31 December 2018 and Audit Plan for the year ended 30 June 2019**

Resolution number AUD/2018/74

MOVED by Member B Robertson, seconded by Deputy Chairperson BC Cashmore:

That the Audit and Risk Committee:

a) approve the draft Audit New Zealand Review Engagement Letter for the six months ending 31 December 2018 and draft Audit Plan for the 30 June 2019 audit of the annual report.

b) request Audit New Zealand to issue the final letters.

c) delegate the mayor and chief executive to sign the finalised letters.

CARRIED

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

17 **Procedural motion to exclude the public**

Resolution number AUD/2018/75

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, Jo Smaill, Audit Director, Audit New Zealand and Claudia Brink, Audit Manager, 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  Financial process status update for the Auckland Council group New Zealand Stock Exchange Announcement and Interim Report for the six months ended 31 December 2018

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
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<tbody>
<tr>
<td>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.</td>
<td>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 an impact on the financial results of the Auckland Council group as at 31 December 2018.</td>
<td>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.</td>
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C2  Audit of Building and Resource Consents

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<td>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.</td>
<td>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 operational information which if released may jeopardise the effective delivery of internal audit services.</td>
<td>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.</td>
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### C3 Approval of the Auckland Council group pro forma 31 December 2018 Interim Report

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<td>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 Interim Report for the half year ended 31 December 2018.</td>
<td>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.</td>
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### C4 Office of the Auditor-General and Audit New Zealand briefing

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<td>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 from Audit New Zealand contains information regarding the financial results of the Auckland Council group as at 30 September 2018.</td>
<td>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.</td>
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### C5 Legal Risk Report

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<td>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.</td>
<td>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. 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). In particular, the report contains information concerning legal proceedings, commercial negotiations and current claims against council.</td>
<td>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.</td>
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## C6 Council-controlled Organisations - Risk Update - December 2018

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<td>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. 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 risk reporting and detailed top risks reported confidentially to the council-controlled organisations Boards or Audit and Risk Committees. The council-controlled organisations have provided their risk report for council’s Audit and Risk Committee subject to confidentiality.</td>
<td>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.</td>
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## C7 Progress against the Integrity and Fraud Assurance Strategy

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<td>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.</td>
<td>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. In particular, the report contains the financial and operational information and details of activity which if released may jeopardise the effective delivery of internal audit services.</td>
<td>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.</td>
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C8  Update on internal audit and integrity activity

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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

10.52am 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.

1.00pm The public was re-admitted.

RESTATEMENTS

It was resolved while the public was excluded:

C1  Financial process status update for the Auckland Council group New Zealand Stock Exchange Announcement and Interim Report for the six months ended 31 December 2018

Resolution number AUD/2018/76

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

That the Audit and Risk Committee:

a) note the information contained in this financial process status update for the Auckland Council group New Zealand Stock Exchange announcement and Interim Report for the half year ended 31 December 2018.

b) endorse the responses to the enquiries by Audit New Zealand on the Audit and Risk Committee’s oversight of the management of fraud.

Restatement

c) agree that the report and attachments will remain confidential, but the decisions be restated in the open minutes.
C2  Audit of Building and Resource Consents
Resolution number AUD/2018/77
MOVED by Cr R Clow, seconded by Member P Conder:
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 the Internal Audit department will continue to perform monthly audits until December 2018, and report the results of those to this committee and further assess the value of continuing with these audits.
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.

C3  Approval of the Auckland Council group pro forma 31 December 2018 Interim Report
Resolution number AUD/2018/78
MOVED by Chairperson S Sheldon, seconded by Member B Robertson:
That the Audit and Risk Committee:
   a) approve the 31 December 2018 pro forma Interim Report, including relevant accounting policies for the Auckland Council group, subject to any required changes identified by management and Audit New Zealand during the half year close and auditor review.
   b) request committee members give feedback to staff by 14 January 2019 and delegate the authority to the committee chair to approve any subsequent amendments.
Restatement
   c) agree that the report and attachment 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/2018/79
MOVED by Deputy Chairperson BC Cashmore, seconded by Member B Robertson:
That the Audit and Risk Committee:
   a) receive the information provided by the Auditor-General’s representatives, Greg Schollum, Deputy Auditor-General, Jo Smaill, Audit Director, Audit New Zealand and Sarah Markley, Sector Manager – Local Government, Office of the Auditor-General and thank them for their attendance.
Restatement:
   b) agree the report and attachments will remain confidential, but the decisions be restated in the open minutes.
C5 Legal Risk Report
Resolution number AUD/2018/80
MOVED by Chairperson S Sheldon, seconded by Member P Conder:
That the Audit and Risk Committee:
a) note the Legal Risk report.
Restatement
b) agree that the decisions be restated in the open minutes, but the Legal Risk report remains confidential.

C6 Council-controlled Organisations - Risk Update - December 2018
Resolution number AUD/2018/81
MOVED by Chairperson S Sheldon, seconded by Deputy Chairperson BC Cashmore:
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 Watercare Services Limited.
Restatement
c) agree that the decisions be restated in open minutes but that this report and attachments remain confidential.

C7 Progress against the Integrity and Fraud Assurance Strategy
Resolution number AUD/2018/82
MOVED by Member B Robertson, seconded by Cr R Clow:
That the Audit and Risk Committee:
a) note the progress made against the Integrity and Fraud Assurance Strategy.
Restatement
b) agree that the decision be restated in the open minutes but that this report remains confidential.

C8 Update on internal audit and integrity activity
Resolution number AUD/2018/83
MOVED by Cr R Clow, seconded by Member P Conder:
That the Audit and Risk Committee:
a) note the progress made by the Internal Audit and Integrity units of the Internal Audit department in delivering against the internal audit programme.
Restatement
b) agree that the decision be restated in the open minutes, but the Internal Audit and Integrity Progress report remains confidential.
Note: Considerations of items in the open part of the meeting continued at this time.

11 **Risk and Insurance Update - December 2018**

Resolution number AUD/2018/84

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

That the Audit and Risk Committee:

a) note the update on enterprise risk management.

b) note the update on the Auckland Council group’s insurance activities.

c) note the update on the 36th America’s Cup Programme.

CARRIED

12 **Quarterly Health and Safety Report - Quarter One FY 2019**

Resolution number AUD/2018/85

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

That the Audit and Risk Committee:

a) receive the report on Auckland Council’s health and safety performance for the first quarter of the 2018/2019 financial year.

b) refer this report to the Governing Body and draw the attention of elected members to their duties under the Health and Safety at Work Act 2015.

c) note that this report will be provided to all local boards for their information.

CARRIED

13 **Fit for Purpose Community Assets Risk Deep Dive - October 2018**

*Cr R Clow retired from the meeting at 1.25pm.*

Resolution number AUD/2018/86

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

That the Audit and Risk Committee:

a) note the outcome of the deep dive of fit for purpose community assets risk.

CARRIED

14 **Possible audit of amendment to Long-term Plan 2018-2028**

Resolution number AUD/2018/87

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

That the Audit and Risk Committee:

a) receive this report.

CARRIED
15 Annual Report on the performance of the Audit and Risk Committee

Resolution number AUD/2018/88

MOVED by Deputy Chairperson BC Cashmore, seconded by Member B Robertson:
That the Audit and Risk Committee:

a) receive this annual report on the Performance of the Audit and Risk Committee.

b) recommend that the chief executive place the report on the next available agenda of the governing body.

CARRIED

16 Consideration of Extraordinary Items

There was no consideration of extraordinary items.

1.40pm 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:.........................................................................