

Annual Report on the performance of the Audit and Risk Committee

File No.: CP2018/22112

Item 15

Te take mō te pūrongo / Purpose of the report

1. This purpose of this report is to review and summarise the activities of the Audit and Risk Committee in 2018.

Whakarāpopototanga matua / Executive summary

2. The committee's responsibilities are set out in its Terms of Reference.
3. The Terms of Reference provide that 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.
4. Further, it is good practice that the Audit and Risk Committee should review their performance on an annual basis.
5. This report summarises the key actions performed by the committee, in response to the committee's responsibilities as contained in the committee's Terms of Reference.
6. This report is the second report for this term of council. The chair of the committee previously reported to the December 2017 Committee on the performance of the committee encompassing the period March 2017 to December 2017. Since then the committee has formally met seven times (up to and including the December 2018 meeting).
7. In 2017 the chair reported that the committee has particularly focussed on the development of a healthy and productive relationship with the Office of the Auditor General and Audit New Zealand. In 2018 the Committee has ensured maintenance of that relationship.
8. The committee has focussed on supporting senior management's development of Enterprise Risk Management across Council. It has provided guidance and stretch to ensure the continuing advancement of capability.
9. The committee has discharged its responsibilities as contained in that Terms of Reference.
10. The relationship that the committee has with the mayor, elected members, the chief executive, management, the Office of the Auditor General and Audit New Zealand is pitched at the right level, achieving a productive working relationship, whilst maintaining an independent oversight of key organisational risks and the management of those risks.

Ngā tūtohunga / Recommendation/s

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.

Horopaki / Context

Item 15

Introduction

11. The Audit and Risk Committee makes a valuable contribution to improving the governance and performance of council. The role and purpose of the committee is unique and different to most other committees. It is advisory in nature. In summary it acts as an independent check on council's systems of governance and internal control. It provides assurance to council that key organisational risks are being identified and appropriately managed.
12. The Terms of Reference of the committee are based on good practice – focusing on governance, enterprise risk management and internal control.
13. A review of the functioning of the committee was requested by the mayor in the last term of council. The review made recommendations designed to improve the effectiveness of the committee and was considered at the committee's December 2015 meeting.
14. The key recommendations made were:
 - adopting a new detailed Terms of Reference, which clarified the roles and responsibilities of the committee
 - implementing a forward work programme, aligned to the Enterprise Risk Management Framework
 - transitioning to an independent chair and an equal number of elected members and external members. This has now taken effect in the current term of council, following the Local Government elections in October 2016.
15. The new structure has enabled the committee to enhance its effectiveness through:
 - allowing it to make recommendations to the governing body and other committees
 - the provision of advice to the mayor, elected members and management.
16. In 2018, the Committee has met formally seven times up to and including December 2018.
17. The committee is chaired by an independent Chairperson, Sue Sheldon CNZM.

Tātaritanga me ngā tohutohu / Analysis and advice

Key actions performed by the Committee in 2018

18. A three-year forward work programme has been developed and was approved by the committee in May 2017. This has been reviewed at every meeting of the committee. This has provided for in-depth sessions in workshops for the committee to be briefed on:
 - Assurance processes in place with respect to the Long- Term Plan (including the Consultation Document)
 - Governance over the Americas Cup Programme
 - 2018/19 Insurance Renewal
 - Outcome of the Internal Audit review of aspects of procurement
 - Risk maturity
 - Deep dives on specific “top risks” – Cyber security and “Fit for Purpose” Infrastructure and Community Assets
19. The committee has regularly reviewed a summary of health, safety and well-being performance information. This discharges the committee's due diligence responsibilities under the Health and Safety at Work Act 2015.

20. Through the period, the committee has regularly reviewed the Enterprise Risk Management work programme. This has included:
 - reviewing the council's 'Top Risks' and risk mitigations
 - monitoring the implementation of the Enterprise Risk Management Strategy and Plan
 - receiving and reviewing risk updates from council's substantive council-controlled organisations
 - meeting with senior management and board representatives from substantial council-controlled organisations to better understand their risk management processes, especially at board level.
21. In May 2018 the committee reviewed and endorsed a refreshed "Top Risk" register. The Committee now at each meeting conducts a "deep dive" on key mitigations over specific top risks. To date Cyber Risk and "Fit for Purpose" Infrastructure and Community Assets have been reviewed.
22. In June 2018, the committee oversaw the first Elected Member Governance and Risk workshop – to which all Governing Body members were invited. The committee was disappointed that only approximately 50% of the Governing Body members attended the workshop which was designed to specifically hear their individual thinking on key risks. In view of the important role of the Governing Body members in risk management, further workshops will be held.
23. In December 2017 the committee commenced receiving quarterly updates on council-controlled organisation risk management (previously these updates had been received annually) and six-monthly updates on legal risk. This has continued through 2018.
24. The committee is of the view that Enterprise Risk Management capability is at a developing level within Council. Consciousness of the risks facing Council and processes needed to mitigate are led by professional management but there needs to be further focus on the development of Elected Members. Processes need to be embedded down into the organisation. Good progress has been made by officials during this term.
25. The committee has reviewed on a regular basis through the period, the Internal Audit work programme. This has included:
 - approving the Internal Audit Charter, which establishes the independence, mandate, scope and authority of the Internal Audit department
 - reviewing, approving and monitoring the implementation of the Internal Audit Strategy, and the Integrity and Fraud Management Strategy
 - reviewing, approving and monitoring the implementation of the detailed Internal Audit programme
 - reviewing the status of outstanding audit recommendations.
26. The Committee performed a review role with respect to the production of the 2018-28 Long Term Plan (including the Consultation Document), including the management of risks specific to the Long- Term Plan. This was the first time this responsibility has been discharged by the Committee. The role of the committee in discharging this responsibility was formally clarified by the committee.
27. The committee has clarified and confirmed its role with respect to its review of major projects e.g. the City Rail Link project, where Council has an investment role.

28. The committee has reviewed the key professional judgements, assumptions and management assertions with respect to the:
- announcement to the New Zealand Stock Exchange (NZX) for the release of financial information for:
 - the six months ended 31 December 2017
 - the 12 month period ended 30 June 2018
 - the six month period ended 31 December 2018
 - the interim financial statements for the six months ended 31 December 2017
 - the Annual Report (including financial statements) for the year ended 30 June 2018
29. The committee has placed particular emphasis on maintaining a productive working relationship with the Office of the Auditor General and Audit New Zealand. This has included:
- reviewing the areas of audit focus as contained in the Arrangements letter for the Audit of the 2018-28 Long Term Plan (including Consultation Document), the Annual Audit Arrangements letter (audit of annual report) and the Interim financial Statements Review Engagement letter (review of six- month interim group financial statements)
 - reviewing the interim and final management reports with respect to each engagement
 - reviewing the status of outstanding external audit recommendations (including management responses to these recommendations).
30. Regular committee-only sessions have been held with the Office of the Auditor General, Audit New Zealand and Internal Audit.
31. The committee has reviewed council's insurance renewal programme for the year ending 30 June 2019.

Conclusions

32. The committee has discharged its responsibilities under its Terms of Reference.
33. The relationship that the committee has with the mayor, elected members, the chief executive, management, the Office of the Auditor General and Audit New Zealand is pitched at an appropriate level, achieving a productive working relationship, whilst retaining independence.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views

34. Local board views were not required for this report.

Tauākī whakaaweawe Māori / Māori impact statement

35. This report does not benefit or have any particular adverse effects on Māori.

Ngā ritenga ā-pūtea / Financial implications

36. The Committee is not making a decision with financial implications.

Ngā raru tūpono / Risks

37. The committee is not being asked to make a decision to which they need to be informed about risk.

Ngā koringa ā-muri / Next steps

38. Implementation plans are contained in the three-year forward work programme of the committee.

Ngā tāpirihanga / Attachments

There are no attachments for this report.

Ngā kaihaina / Signatories

Author	Sue Sheldon, CNZM - Chairperson
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