

ORDINARY MEETING

OF

AUDIT AND RISK SUBCOMMITTEE

AGENDA

Time: 9.15am
Date: Tuesday, 19 August 2014
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

MEMBERSHIP

Mayor Wade-Brown

Councillor Marsh
Councillor Peck (Chair)
Councillor Woolf
Peter Harris (external)
Kevin Simpkins (external)

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 803-8334, e-mail: public.participation@wcc.govt.nz or writing to Democratic Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number and the issue you would like to talk about

AREA OF FOCUS

Providing objective advice and recommendations regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the council's risk management, control and governance frameworks and processes. It is also responsible for exercising active oversight of all areas of the Council's control and accountability in an integrated and systematic way.

Quorum: 3 members (at least one external member must be present for a quorum to exist).

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1 Meeting Conduct

1.1 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.2 Conflict of Interest Declarations

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.

1.3 Confirmation of Minutes

The Minutes of the Meeting held on 11 June 2014 were presented to the Audit and Risk Subcommittee for confirmation.

1.4 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 3.23.3 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows:

Matters Requiring Urgent Attention as Determined by Resolution of the Audit and Risk Subcommittee.

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor Matters relating to the General Business of the Audit and Risk Subcommittee

No resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Audit and Risk Subcommittee for further discussion.

2. General Business







PROGRESS AGAINST AUDIT NEW ZEALAND RECOMMENDATIONS

Purpose

1. This report contains the Council's progress against the audit recommendations from Audit New Zealand related to the 2012/13 audit as well as recommendations made in prior years.

Summary

2. There are currently two open Audit New Zealand recommendations which are still open. One of these items is complete and waiting for clearance from Audit New Zealand and the other is in progress and is expected to be completed by 30 June 2015.

Reference	Recommendation	Status
1	IT Security Policy	
2	Business Continuity and Disaster Recovery	
Key		
	Outstanding (No progress has been made on recommendation)	
	In Progress (The Council working on recommendation)	
	Completed (Awaiting confirmation from Audit NZ)	
	Cleared (Audit NZ confirm the Council have resolved issue)	

Recommendation/s

Officers recommend that the Audit and Risk Subcommittee:

1. Receive the information.
2. Note the progress made in implementing the Audit New Zealand recommendations.

Background

3. During their annual statutory audit of the Council, Audit New Zealand raise recommendations to Council Officers around the internal controls which underpin the Council's operations. The table in appendix 1 lists those recommendations and the progress made against each recommendation since last reported to Audit and Risk Subcommittee.

Attachments

Attachment 1. Summary of audit recommendations and their current status

Author	Richard Marshall, Manager Financial Accounting
Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Consultation and Engagement

There is no consultation required on this matter.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no financial implications.

Policy and legislative implications

There are no policy or legislative implications arising from this paper.

Risks / legal

There are no legal issues arising from this paper. The recommendations being monitored by the Subcommittee in this paper is to strengthen internal controls and thereby reduce risk within the organisation.

Climate Change impact and considerations

There are no impacts on Climate change.

Communications Plan

There is no communication plan required.

Summary of recommendations and their current status

	Overarching IT security policy and disaster recovery	Recommendation date: 2007/08	
Reference	Recommendations	Management response –August 2014	Audit New Zealand Comments – March 2014
1	<p>IT Security Policy</p> <p>The Council does not have one overarching IS/IT Security Policy. This potentially allows unauthorised access to systems and/or fraudulent, malicious or unintended transactions to be posted.</p> <p>Audit recommended that the Council develop and implement an IS/IT Security Policy as an overall statement of the importance of security to the organisation.</p>	<p>Target date for completion:</p> <p>Password complexity was not implemented as all applications would need to be tested to ensure that there would be no adverse impacts. Not all of our corporate applications, much of it bespoke, supports complex passwords without significant change and a managed programme of work is needed to achieve this. BIT will look to implement strong passwords on high priority systems that are not been replaced by Project Odyssey prior to June 30, 2015. Medium and low priority systems that are not been replaced by Project Odyssey will have complex passwords implemented by 30 June 2016.</p>	<p>In progress</p> <p>Audit New Zealand has sighted approved IS Security Framework and Security Policies.</p> <p><u>Implementation of the password policies to all server and desktop equipment:</u></p> <p>Following up KPMG Security Review finding that password complexity is not enforced; IT Management has responded that complex password has been enforced on 20 March 2013.</p> <p>Audit New Zealand has sighted network password settings and confirmed new password setting (min password length of 7 characters) has been implemented to all servers and desktops. However, the password complexity is still disabled.</p>
2	<p>Business Continuity and Disaster Recovery (DR)</p> <p>We recommend that Business Continuity Plans be finalised and tested as planned. The results should be documented and</p>	<p>Target date for completion: COMPLETED</p> <p>A new DR site has been established at Revera Albany with replication of all production systems taking place on a 4hr cycle.</p>	<p>Closed – not verified yet.</p> <p>We understand that a restricted DR test has been performed successfully. This DR test is to prove the systems can be recovered and accessed at Albany.</p>

	Overarching IT security policy and disaster recovery	Recommendation date: 2007/08	
Reference	Recommendations	Management response –August 2014	Audit New Zealand Comments – March 2014
	<p>communicated to all affected staff so that improvements to procedures can be made.</p> <p>Business Continuity and IT Disaster Recovery (DR) plans are now well developed, and tests of these plans are to be carried out this year.</p>	<p>Initial DR testing was completed and successful. Next phase will be to get the business users to test the recovery process. This will need to be undertaken over a long weekend to minimise business disruption. The labour weekend (25 Oct to 27 Oct, 2014) is currently being targeted for the next phase of testing.</p>	
Responsibility: Greg Russell, Dave Hartnell & Gerard Paver			

3. Public Excluded

Motion to exclude the public

THAT the public be excluded 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 and 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:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Draft 2013/14 Financial Statements And Statements Of Service Performance	<p>s7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>s7(2)(g) The withholding of the information is necessary to maintain legal professional privilege.</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>s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>
3.2 Internal Audit Update	<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>s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>

3.3 Risk Management Update	<p>s7(2)(c)(ii)</p> <p>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>s48(1)(a)</p> <p>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>
3.4 Summary of Incidents	<p>s7(2)(a)</p> <p>The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>s7(2)(b)(ii)</p> <p>The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p>	<p>s48(1)(a)</p> <p>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>

Permit Audit New Zealand to remain at this meeting after the public has been excluded, because of their specialist knowledge of the matters under discussion.