

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

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Te take mō te pūrongo / Purpose of the report

1. This paper clarifies the role of the Audit and Risk Committee (the committee) with respect to discharging its governance role over the City Rail Link (CRL) project.

Whakarāpopototanga matua / Executive summary

2. The role of the committee is to provide assurance to the Governing Body that significant investor risks (i.e. risk from the viewpoint of council as a significant investor in the CRL project), are identified and being appropriately managed.
3. It is critical that this role does not become confused with management of such projects.
4. The Auckland Council representatives on the Joint Sponsors Committee are currently preparing a risk assessment of investor risk. This will set out key investor risks and mitigating strategies. This is being prepared with oversight by the Head of Risk, and the Assurance Manager. Staff are proposing to report this assessment to this committee at its December 2018 meeting.
5. To discharge the committee's responsibility:
 - the committee should review the CRL investor risk profile, make appropriate enquiries, and if satisfied with the responses and information provided endorse that investor risk assessment
 - the investor risk assessment should be regularly updated and reported to the committee
 - if the committee identifies concerns with either the completeness of risks identified, or the way these risks are being managed they can make recommendations to the chief executive, and /or the Governing Body.

Ngā tūtohunga / Recommendation/s

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.

Horopaki / Context

6. The Governing Body on 29 June 2017 resolved that the Audit and Risk Committee will receive regular reports on the CRL project status, including a record of all sponsor decisions made under delegated authority and information on the management of key risks (budget, schedule, specification, safety and probity) (GB/2017/72).
7. The first of these regular reports was received by the committee in December 2017.

8. However, the committee expressed a concern as to what this resolution meant and resolved to receive a further report that clarified what the governance role of that committee is.
9. It is critical that the clarification of the committee's role ensures that it reinforces the committee's governance role and does not become confused with management of such projects.

Tātaritanga me ngā tohutohu / Analysis and advice

Role and Purpose of the Committee

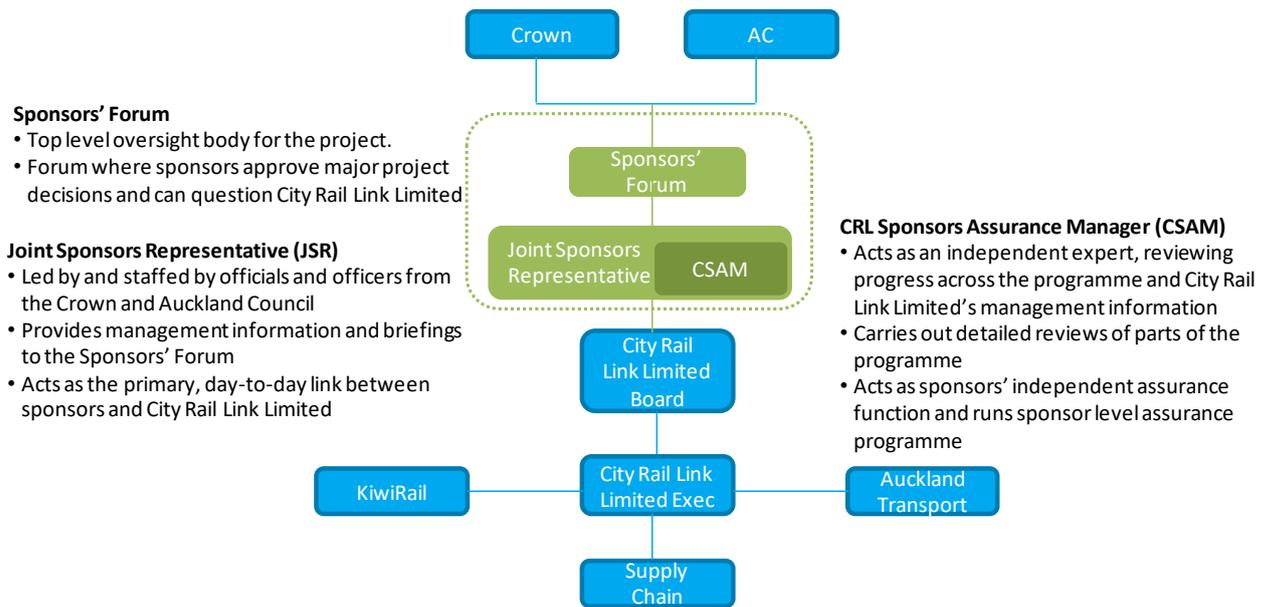
10. The purpose of the Audit and Risk committee is to provide assurance to the Governing Body on matters of governance, risk and internal control.
11. In substance this means that Auckland Council's risk management systems are identifying the right risks that Auckland Council faces, and there are appropriate internal control and reporting mechanisms in place – that provide confidence and assurance to the Governing Body that these risks are being appropriately managed.
12. This purpose is reflected in the committee's Terms of Reference.
13. The scope of the committee's work includes reviewing the effectiveness of risk management and internal control systems. This includes reviewing the effectiveness of risk management and internal control for significant projects, and significant procurement.
14. The role of the committee is to provide assurance to the Governing Body that significant risks – from the viewpoint of Council are identified and appropriately managed.
15. Should the committee, after making appropriate enquiries, identify concerns with the way these risks are being managed they can make recommendations to the chief executive, and/or Governing Body of Auckland Council.

City Rail Link

16. The CRL is being jointly funded on an equal basis between the Crown and Auckland Council (project sponsors).
17. City Rail Link Limited, which was established on 1 July 2017, has the full governance, operational and financial responsibility for CRL, with delivery targets and performance expectations. The project will be delivered in 2024, within a total funding envelope of \$3.4 billion.
18. The Auckland Council investor risks, with respect to CRL are likely to be (but not necessarily limited to):
 - financial risk (adverse financial consequence that impacts on council's ability to meet its financial commitments and deliver on its strategies) arising from a risk materialising within the CRL project
 - reputation risk (damage to the reputation of either elected members or Auckland Council) arising from a risk materialising within the CRL project.
19. At a project level, to mitigate the risk of either Auckland Council investor financial or reputation risk materialising, we would expect appropriate mitigations in place with respect to:
 - governance risk - failure of project governance to identify and manage project risk
 - project risk – failure to deliver the CRL project on time, to budget and specification (this includes procurement and contract management risk)
 - health and safety risk - failure of health and safety systems to adequately protect project staff and the public.

City Rail Link – Governance of Project and the role of the Assurance Manager

20. The project has been established with a set of governance and oversight mechanisms. The overall project governance structure is set out in the diagram below.



21. The project contracts specify that most major project approvals will be undertaken by the responsible ministers of the Crown (Transport and Finance), and the mayor and deputy mayor of Auckland, and chief executive of Auckland Council. Exceptions are decisions about ultimate ownership of CRL assets and any major changes in project scope or budget, which must be agreed by the Governing Body (and the Crown).
22. The Sponsors' Forum comprises senior officials from government and council. Council's representative is the Group Chief Financial Officer, Matthew Walker.
23. The Joint Sponsors' Representative is the chair of a team of officials from Ministry of Transport, New Zealand Treasury, and Auckland Council (the Joint Sponsors' Team). The team is key conduit of information between City Rail Link Limited and the sponsors and provides key advice to sponsors on approvals and other matters, including funding, governance and risk.
24. Sitting alongside the Joint Sponsors' Team is the Assurance Manager. The Assurance Manager provides independent assurance function to the sponsor.
25. Council staff on the Joint Sponsors' Team anticipate reporting to several council committees, including the Audit and Risk Committee in respect of project status and key risks, and others on matters relevant to the delegations of those committees.

Discharging the Audit and Risk Committee's responsibility

26. The role of the Audit and Risk Committee is to provide assurance to the Governing Body that significant investor risks (i.e. risk from the viewpoint of council as a significant investor in the CRL project), are identified and being appropriately managed.
27. The Auckland Council representatives on the Joint Sponsors Committee are currently preparing a risk assessment of Investor Risk. This will set out key investor risks and mitigating strategies. This is being prepared with oversight by the Head of Risk, and the Assurance Manager. We expect that this will be tabled with this committee at its December 2018 meeting.
28. To discharge the Audit and Risk Committee's responsibility:
- the Audit and Risk Committee should review the CRL investor risk profile, make appropriate enquiries, and if appropriate endorse that investor risk assessment

- the investor risk assessment should be regularly updated and reported to the Audit and Risk Committee
- if the committee identifies concerns with either the completeness of risks identified, or way these risks are being managed they can make recommendations to the chief executive, and /or Governing Body of Auckland Council.

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

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

Tauākī whakaaweawe Māori / Māori impact statement

30. This report does not benefit or have any particular impact on Māori.

Ngā ritenga ā-pūtea / Financial implications

31. The committee is not being asked to make decisions with financial implications.

Ngā raru tūpono / Risks

32. This paper clarifies the committee's role with respect to the management of Auckland Council's investor risk in the CRL project.

Ngā koringa ā-muri / Next steps

33. Implementation of recommendations is contained in the body of this report.

Ngā tāpirihanga / Attachments

There are no attachments for this report.

Ngā kaihaina / Signatories

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