I hereby give notice that an ordinary meeting of the Audit and Risk Committee will be held on:

**Date:** Tuesday, 26 May 2020

**Time:** 2.45pm

**Meeting Room:** This meeting will be held remotely

**Venue:**

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**Komiti Tātari me te Māta Raru Tūpono / Audit and Risk Committee**

**OPEN AGENDA**

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**MEMBERSHIP**

**Chairperson** Sue Sheldon, CNZM  
**Deputy Chairperson** Cr Daniel Newman, JP  
**Members**  
Deputy Mayor Cr Bill Cashmore  
Paul Conder  
Cr Shane Henderson  
Bruce Robertson  

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

(Quorum 3 members)

Quorum must include two Governing Body members

**Mike Giddey**  
Kaitohutohu Mana Whakahaere / Governance Advisor  
21 May 2020  
Contact Telephone: (09) 890 8143  
Email mike.giddey@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
Terms of Reference

Purpose

The purpose of the Audit and Risk Committee is to assist and advise the Governing Body in discharging its responsibility and ownership of governance, risk management, and internal control.

- The committee will review the effectiveness of the following aspects of governance, risk management and internal control:
  - enterprise risk management (ERM) across the Auckland Council group
  - internal and external audit and assurance
  - health, safety and wellbeing
  - business continuity and resilience
  - integrity and investigations
  - monitoring of compliance with laws and regulations
  - significant projects, programmes of work and procurement focussing on the appropriate management of risk
  - oversight of preparation of the LTP, Annual Report, and other external financial reports required by statute.

The scope of the committee includes the oversight of risk management and assurance across the council’s CCOs and the council with respect to risk that is significant to the Auckland Council group.

To perform his or her role effectively, each committee member must develop and maintain his or her skills and knowledge, including an understanding of the committee’s responsibilities, and of the council’s business, operations and risks.

Decision-Making Powers

The committee has no decision-making powers other than those in these terms of reference.

The committee may request expert advice through the chief executive where necessary.

The committee may make recommendations to the Governing Body and / or chief executive.

Tenure

External members will be appointed for an initial period not exceeding three years, after which they will be eligible for extension or re-appointment, after a formal review of their performance, and have not already served two terms on the committee. Councillors appointed to the committee will automatically cease to hold office at the time of the local authority triennial elections. They may be eligible for re-appointment post those elections if they are returned to office and have not already served two terms on the committee.

The chief executive, and the senior management team members will not be members of the committee.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the council. At least one member of the committee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.
Committee’s responsibilities

The committee’s responsibilities are detailed below.

Forward Work Programme

The committee will agree and approve annually a forward work programme – which will consist of in-depth briefings and reviews of specific significant risks and assurance strategies, as contained in the ERM “Top Risks” or Auckland Council’s work plan.

Risk management

- Review, approve and monitor the implementation of the ERM policy, framework and strategy (including risks pertaining to CCOs that are significant to the Auckland Council group).
- Review and approve the council’s “risk appetite” statement.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and / or emerging risks, and any subsequent changes to the ERM “Top Risk” register.

Assurance

- Review annually the Assurance Charter – which confirms the authority, independence and scope of the function.
- Review and approve annually and monitor the implementation of the three-year Assurance Strategy and 12 month detailed Internal Audit Plan.
- Review the co-ordination between the risk and assurance functions – including the integration of the council’s ERM risk profile with the Internal Audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to CCOs that are significant to the Auckland Council group)
- Review and monitor management’s responsiveness to the findings and recommendations – enquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity

- Review and approve annually, and monitor the implementation of, the Assurance Strategy, including the fraud and integrity aspects, including a detailed work programme.
- Review annually the ‘Speak Up’ and whistleblowing procedures and ensure that arrangements are in place by which staff, may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected members, local board members, management, staff, consultants and contractors.
- Review reports from the Risk, Assurance, Integrity and Investigations, external audit and management related to whistle blower, ethics, bribery and fraud related incidents.
Statutory Reporting

Review and monitor the integrity of the Long-term Plan, interim and annual report including statutory financial statements and any other formal announcements relating to the council’s financial performance, focussing particularly on:

- compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards
- compliance with applicable legal requirements relevant to statutory reporting
- the consistency of application of accounting policies, across reporting periods, and the Auckland Council group
- changes to accounting policies and practices that may affect the way that accounts are presented
- any decisions involving significant judgement, estimation or uncertainty
- the extent to which financial statements are affected by any unusual transactions and the way they are disclosed
- the disclosure of contingent liabilities and contingent assets
- the clarity of disclosures generally
- the basis for the adoption of the going concern assumption
- significant adjustments resulting from the audit.

External Audit

- Discuss with the external auditor before the audit commences:
  - the nature, scope and fees of the external audit
  - areas of audit focus
  - error and materiality levels.
- Review with the external auditors representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditors management letter and management responses, and inquire into reasons for any recommendations not acted upon.
- Where required, the chair may ask a senior representative of the Office of the Auditor General to attend the committee meetings to discuss the office’s plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations

Other committees dealing with CCO matters may refer matters to the Audit and Risk Committee for review and advice.

This committee will enquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Auckland Council or the wider group, the committee will also ensure that all affected entities are aware of and appropriately managing the risk.

The Head of Assurance and the Chief Risk Officer are responsible for monitoring CCO risk and internal audit strategies with respect to risks and CCO risks that are significant to the Auckland Council group.

Annual Report on the work of the committee

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.
Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.
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| C6   | Approval of the Auckland Council Group's pro forma financial statements for the year ending 30 June 2020 | 179  |
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1 Apologies

An apology from Mayor P Goff has been received.

2 Declaration of Interest

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.

3 Confirmation of Minutes

That the Audit and Risk Committee:

a) confirm the ordinary minutes of its meeting, held on Monday, 24 February 2020 and the extraordinary minutes of its meeting, held on Tuesday, 14 April 2020, including the confidential section, as a true and correct record, subject to the following amendment to Item 9, Resolution number AUD/2020/4 clause d) of the meeting on 24 February 2020 as follows:

d) agree that Te Waka Angamua (now Ngā Mātauranga) and the General Manager, Māori Outcomes and Relationships report to the Audit and Risk Committee in August on progress in Māori Responsiveness Plans implementation and reporting across the Council Group.

And add a new clause as follows:

e) agree that the Assurance Services department report to the Audit and Risk Committee in August 2020 on Māori Responsiveness Plans implementation and reporting across the Council Group with a view to whether there are adequate risk management and controls in place.

4 Petitions

At the close of the agenda no requests to present petitions had been received.

5 Public Input

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Governance Advisor, in writing, no later than one (1) clear working day prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of thirty (30) minutes is allocated to the period for public input with five (5) minutes speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

6 Local Board Input

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to five (5) minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give one (1) day’s notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda. At the close of the agenda no requests for local board input had been received.
7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

(a) The local authority by resolution so decides; and

(b) The presiding member explains at the meeting, at a time when it is open to the public,-

   (i) The reason why the item is not on the agenda; and

   (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

(a) That item may be discussed at that meeting if-

   (i) That item is a minor matter relating to the general business of the local authority; and

   (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

(b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”
Te take mō te pūrongo

Purpose of the report

1. To review and approve the Audit and Risk Committee’s three-year forward work programme that has been updated following the Audit and Risk Committee’s meeting on 24 February 2020.

Whakarāpopototanga matua

Executive summary

2. The Audit and Risk Committee approved its three-year forward work programme at its December 2019 meeting. The committee approved an amended work programme at its February 2020 meeting.

3. In accordance with good practice, the committee reviews the forward programme at each meeting to ensure it can be adapted to council’s risk profile changes and that it remains relevant to the needs of the committee.

4. Due to the COVID-19 pandemic, both the risk management and assurance programmes have been refocussed and amended to respond to COVID-19 related risks and priority work for next 6 months. The refocused approach was reported to the 14 April 2020 extraordinary meeting of this committee.

5. The following changes to the forward work programme are highlighted for your attention.

6. Four matters are recommended to be added:

   (a) COVID-19 Risk Reporting (each meeting, until the committee resolves this is no longer necessary)

   (b) COVID-19 Assurance Reporting (each meeting, until the committee resolves this is no longer necessary)

   (c) Insurance Strategy 2021-23 (December 2020).


7. Three previously scheduled items are recommended to be deferred due to COVID-19:

   (a) The Top Risk “deep dive” workshops and reporting. It is anticipated the deep dive programme will resume next year.

   (b) A briefing report on council’s approach to integrated reporting with our Annual Report was scheduled for May 2020. The purpose of the report was to brief the committee on council’s approach and seek the Audit and Risk Committee’s endorsement to make the 2019/2020 Annual Report a formal Integrated Report. This has now been deferred until 2020/21.

   (c) A report on the Sky City Convention Fire post event review was scheduled to come to the Audit and Risk Committee 26 May 2020. This has been deferred with timing to be confirmed.
Ngā tūtohunga
Recommendations

That the Audit and Risk Committee:

a) approve the recommended new matters and adopt the updated Audit and Risk Committee work programme.

Ngā tāpirihanga
Attachments

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Ngā kaihaina
Signatories

| Authors                      | Emma Mosely – Chief Risk Officer  
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<tr>
<td></td>
<td>Mark Maloney - Head of Assurance Services</td>
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<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
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# Audit and Risk Committee work programme 2020-2022

**Item 8**

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<tr>
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</table>
| **Audit and Risk Committee**  
Head of Assurance Services | Work programme update | Work programme update | Work programme update | Work programme update | Committee’s Annual performance report |
| **Assurance**  
Head of Assurance Services – Assurance Services Department | Building and resource consents assurance plan update | Assurance Services Strategy and activities update (Audit and integrity, elected members, internal audits and reviews, speak up) | CCO Review update | Covid-19 Rebalanced Audit Plan report |
|                       | Building and resource consents performance and improvement plan update (Regulatory division) | Building and resource consents assurance plan update | Covid-19 Rebalanced Audit Plan report |
|                       | Audit Programme reporting – updated plan and audits completed | Audit Programme reporting – updated plan and audits completed |  |
| **Independent Mauū Statutory Board – Treaty Audit**  
Head of Assurance and GM Mauū Outcomes and Relationships | Treaty Audit Monitoring update | Treaty Audit Monitoring update |  |
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Covid-19 Risk Update – top risk register  
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| **CCO Risk management**  
Facilitated by Risk and Insurance Department | CCO quarterly risk report | CCO Covid-19 Risk Update  
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CCO quarterly risk report  
Attendance by ATEED  
Attendance by Watercare, ATEED, Auckland Transport, RFA, Peniwha | CCO Covid-19 Risk Update  
CCO quarterly risk report  
Attendance by ATEED |
### Audit and Risk Committee work programme 2020-2022

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<td>External Audit</td>
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**Workshops**

The Audit and Risk Committee holds workshops on matters where a background briefing and more internal discussion and opportunity for questions from the committee is necessary to perform its role and responsibilities.
Workshops are not used to make decisions - that is for formal committee or Governing Body Meetings. Workshop material will be appended to a summary of information items in the next committee meeting, unless it has been clearly marked as confidential.

The following topics have been identified as proposed workshops necessary to discharge the Committee’s duties. Workshops will be scheduled over the three-year programme based on strategic priorities, risk and time available. Additional topics may be added if circumstances change or require a topic to be the subject of a workshop.

The workshop schedule is currently under review due to the impact of Covid-19. Topics and timing outlined below is tentative.

**Proposed Workshop topics for 2020**
- 1. Risk Deep Dive (outcomes from deep dive processes into Auckland Council’s Top Risks) – deferred to 2021
- 2. Internal Audits and reviews completed (six monthly)
- 3. Post event review following Sky City Convention Centre Fire 2019 – business continuity and emergency response – deferred TBC
- 4. Risk appetite statement review (May 2020)
- 5. Natural Hazards Risk Management (August 2020)
- 6. Integrity – policies and procedures for prevention, detection, reporting and investigation of bribery and fraud and conflicts of interest (Our Charter) – (September 2020)
- 7. Transport (TBC)

### Audit and Risk Committee Forward Work Programme 2020-2022

**Areas of work and lead**

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<td>Assurance Services Strategy and activities update (fraud and integrity, elected members, internal audits and reviews, speak up)</td>
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<td>Audit Programme reporting – updated plan and audits completed</td>
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<td>Head of Assurance and GM Māori Outcomes and Relationships</td>
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**Komiti Tātar i me te Mātauranga Tōpono / Audit and Risk Committee**

This committee assists and advises the Governing Body in discharging its responsibility and ownership of governance, risk management and internal control across Auckland Council group.

Responsible for reviewing the effectiveness of enterprise risk management, internal and external audit assurance, health safety and wellbeing, business continuity and resilience, integrity and investigations. The Committee monitors compliance, risk management in significant projects and programmes of work and procurements and has oversight of risk management and assurance of CCOs, the preparation of the LTP, Annual report and other statutory financial reports.

Full terms of reference can be found [here](#).
## Audit and Risk Committee work programme 2020-2022

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Attachment A
## Audit and Risk Committee work programme 2020-2022

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<td>Assurance Services Strategy and activities update (audit and integrity, elected members, internal audits and reviews, speak up)</td>
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## Audit and Risk Committee

26 May 2020

### Audit and Risk Committee work programme 2020-2022

#### Expected reporting 2022 (dates TBC)

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<td>Indicative Insurance Renewal Report</td>
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<td><strong>Long Term Plan 2021/2031</strong>&lt;br&gt;Annual Plan&lt;br&gt;GM Financial Strategy and Planning</td>
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Purpose of the report

1. To brief the Audit and Risk Committee and seek approval of the refreshed Enterprise Risk Framework and Council’s Appetite Statement.

Executive summary

3. The Enterprise Risk Framework in Attachment A has been revised to incorporate the ISO31000:2018 Risk Management Standards. The framework was approved by the executive leadership team in February 2020 and is recommended for approval by the committee.

4. The Appetite Statement (Attachment A pages 12-13) was reviewed and confirmed by the executive leadership team on 15 May 2020 following the COVID-19 risk event and is recommended for approval by the committee.

5. Following the report to the extraordinary meeting of the Audit and Risk Committee on 14 April 2020, the risk team has facilitated a risk review and been deployed to support the internal and external emergency response.

6. The evolving nature and speed of the COVID-19 events and the emerging strategic and operational risks and issues has brought unprecedented challenge. However, the council’s response has been effective in managing risks and issues.

7. The council’s Top Risks have been reviewed and updated. The enterprise leadership reporting on top risks has been changed to a new format in Attachment B.

8. The overall risk profile is trending up. The velocity of the developments and the national and global impact of the pandemic are key drivers. The existing 11 top risks remain, and three new strategic risks have been identified to be added to the top risk register: financial management, recovery and Māori outcomes.

9. The health, safety and wellbeing risk remains a top priority and risks, hazards and incidents are continuing to be monitored and managed. The focus for the corporate health and safety department has been on supporting Auckland Council’s emergency response to the COVID-19 pandemic and managing people risks through the alert levels. There has been significant work required and new systems and processes have been developed at pace to respond and manage the emerging risks.

10. The financial impacts of COVID-19 on the Auckland Council group budget for 2020/2021 remain highly uncertain. A summary of a high-level risk assessment and the key current controls is in Attachment C. The process and methodology considered by this committee has been followed, and work has continued at pace on the financial scenario modelling. A verbal update will be provided to the Audit and Risk Committee on the process.

11. To maintain independent oversight through the modelling process in an efficient and agile way, between 14 April and 26 May 2020, management have briefed the Chair of the Audit and Risk Committee on financial management risks and refinements to the assumptions and financial position. The chair of the Audit and Risk Committee has provided independent oversight and feedback to management to ensure on the process and assumptions used to generate the 2020/2021 budget remain reasonable.
12. The current drought situation poses an increasing risk to Auckland and council’s water supply. Active mitigations and management measures are in place including the imposing of stage 1 restrictions and reduction is usage by council’s facilities.

13. Following the COVID-19 pandemic and disruptions, the council group and Ministry of Business, Innovation and Employment (MBIE) have been working closely with the America’s Cup event organiser, America’s Cup Event Limited, to work through scenario-based contingency planning. This will determine how the event can be delivered. The enterprise risk department continue to work with the Chair of the Joint Chief Executive Group (JCEG) and Chief Executive of ATEED, to ensure the programme risk management practices are fit for purpose as the programme shifts to event delivery.

14. The risk and insurance work programme has been adjusted in the short to medium term to focus on the strategic and recovery priorities and respond to resourcing constraints.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) approve the Enterprise Risk Framework and Council Appetite Statement.

b) note the risk activities and enterprise top risk update following the COVID-19 pandemic.

c) note the financial management risk and emergency budget/annual plan process update.

d) note that the Chair of the Audit and Risk Committee has maintained independent oversight and provided feedback to management on the approach and process informing the decision-making process and preparation of the emergency budget consultation materials. This was to ensure the process and assumptions used to generate the Emergency Budget 2020/2021 (annual plan 2020/2021) remain reasonable.

e) agree that an update on the financial management risks, the Emergency Budget 2020/2021 and Long-term Plan processes will be provided to the next Audit and Risk Committee on 24 August 2020.

f) refer the Enterprise Risk COVID-19 Risk Update report to the Emergency Committee, Governing Body and Finance and Performance Committee (as appropriate).

Horopaki Context

15. This is an update on risk management activities to enable the Audit and Risk Committee to fulfil their governance and oversight role of the effectiveness of risk management.

16. This includes responsibility for reviewing and approving the enterprise risk framework and appetite statement, the effectiveness of risk management systems including health, safety and wellbeing, and emerging risks and changes to the Top Risk Register.
Tātaritanga me ngā tohutohu
Analysis and advice

17. There has been significant work completed to monitor, review, assess significant risks and mitigations during the crisis and response phases of the COVID-19 pandemic. Information and advice is provided on a range of matters including:

- Enterprise Risk Framework and Risk Appetite Statements (Attachment A)
- Risk assessment programme – COVID-19 risk pulse check
- Auckland Council Top Risks and emerging risks (Attachment B and C)
- Health, Safety and Wellbeing risk management and COVID-19 impacts
- Finance risk management update
- Drought emergency – council response and mitigations
- COVID-19 Impacts on AC36 Programme (America’s Cup)
- Refocused risk programme.

Enterprise Risk Framework and Appetite Statements

18. The updated Enterprise Risk Framework has been revised to incorporate the ISO31000:210 Risk Management Standards.

19. The framework was approved by the executive leadership team in February 2020 and is recommended to be approved by the Committee (Attachment A).

20. Key improvements to the Enterprise Risk Framework include:
   (a) “Recording and Reporting” added as a key element to the risk process
   (b) Highlighting of the leadership by top management and the integration of risk management
   (c) Greater emphasis on control effectiveness and actions at each stage of the process
   (d) Simplification of the risk categories and the impact and likelihood descriptions
   (e) Risk Appetite statement revised to reflect current environment.

21. The Appetite Statement (Attachment A pages 12-13) was reviewed and confirmed by the executive leadership team on 15 May 2020 following the COVID-19 risk event and in accordance with the Enterprise Risk Framework.

22. The framework implementation and embedding is ongoing as part of all the activities in the enterprise risk work programme. The programme focuses on strengthening the “bottom up” processes and strengthening staff capability and council’s risk management culture.

23. The planned roll out and embedding activities include:
   (a) Communications to raising awareness and understanding of framework improvements for example control effectiveness, risk and control ownership and accountability
   (b) Risk Champions programme and risk business partnering
   (c) Quarterly risk monitoring and review with senior leadership – focus on gaps in controls and agreeing actions
   (d) Identifying and reporting enterprise risk themes, trends and insights
   (e) Coaching and capability building with risk champions, leaders and report writers
   (f) Working with the Assurance Services department (in its role as third line of defence) on key control effectiveness testing through the rolling audit programme.
Risk assessment programme – COVID-19 risk pulse check
24. Following the report to the extraordinary meeting of the Audit and Risk Committee on 14 April 2020, the risk team has facilitated a bottom up and top down risk review.
25. This was a positive exercise to:
   - Ensure risks continue to be identified, evaluated and treated appropriately
   - Ensure interconnected risks are not responded to in silos
   - Capture real time risk assessments during the COVID-19 risk event and whether risks have changed
   - Inform the strategy to recover and move to the new normal – know the risks so we don’t just “bounce back” but we “bounce forward”
   - Inform ELT, Governing Body and Audit and Risk Committee reporting.

Risk review methodology
26. The risk review has included risk assessments, risk analysis of emerging risks, key leaders and team based brainstorming and internal and external scanning of the current environment.
27. To establish a clear and consistent context for the risk assessments, standard scenarios and assumptions have been considered that reflect the financial modelling assumptions, and council’s service provision during the transition from alert level 4 to alert level 3 and alert level 2.
28. Steps taken for the review included:
   - Survey and engagement with the enterprise leaders’ group to assess the departmental risks and impacts associated with the COVID-19 event (risk pulse check)
   - Engagement with departmental risk champions to assess emerging risks and issues and update risk registers
   - Risk identification and assessment in the key emergency workstreams including business continuity, corporate resilience and Civil Defence Emergency Management
   - A review of the council’s top risks (contained in the Top Risk Register) with executive and senior leaders, subject matter experts and control owners.
29. A risk pulse check with the council-controlled organisations has been completed to enable a council group risk view and Audit and Risk Committee oversight of significant group risks and mitigations. This will be reported separately to the Audit and Risk Committee.

Emerging risks and themes arising from risk pulse check
30. The evolving nature and speed of the COVID-19 events and the emerging strategic and operational risks and issues has brought unprecedented challenge. However, the council’s response has been effective in managing risks and issues.
31. In several top risk areas, the focused response and urgent work undertaken has improved visibility and coordination of information and resources and resulted in a deeper appreciation of the risks and led to improved management and mitigation of those risks.
32. Consistent risk themes and challenges have been being identified. The following common risk themes have been identified across all departments:
   (a) financial and resourcing risks
   (b) uncertainty around core work programme activities, priorities and objectives
   (c) people risks – staff wellbeing, stress and mental health
   (d) recovery process - collaboration and informed prioritisation and decision making.
33. The drought emergency has been identified by several operations teams as being a key risk. COVID-19 related disruptions and challenges are compounding the impacts of the drought and an increase in the likelihood and consequences of disruptions to services has been identified. The risk business partners are supporting lead teams to capture the significant risks identified so they are monitored through their risk registers and risk management plans.

34. Staff from the Risk and Insurance department have been deployed to support the internal and external emergency response. Risk management practices, including facilitating risk identification and assessment sessions, preparation of risk registers, monitoring, reporting and escalation have been established in the Crisis Management Response, Corporate Resilience and Civil Defence Emergency operations functions.

35. The following four common top risk themes have been identified in these workstreams:
   (a) continuously evolving demands and complex obligations to be met at pace
   (b) coordination between multiple entities and clarity of roles and responsibilities (internal and external)
   (c) health, safety and wellbeing of staff and community
   (d) redeployment and availability of required staff with necessary skills and expertise.

36. These risks are being controlled and mitigated through centralised and coordinated leadership of the CDEM controllers and redeployment processes and systems.

37. These risks continue as the civil defence and emergency management response transitions from emergency to recovery phase. A key risk is the conflicting demands on staff resource for business as usual roles and the Civil Defence Emergency Management requirements.

Auckland Council Top Risks
38. The Top Risks have been updated following the COVID-19 pandemic and through the executive leadership team’s scheduled quarterly review.

39. The executive leadership team reporting on top risks has been changed to a new format. The executive leadership team top risk report is in Attachment B.

40. The reporting highlights risk ownership, the rationale for the risk rating, monitoring and effectiveness of controls and additional controls under development. It summarises the detailed risk register which continues to be maintained and is in Attachment D.

41. Due to the rapidly changing risk environment, the executive leadership team has increased the frequency of risk reporting to monthly enterprise risk updates.

42. The overall risk profile is trending up as pressure and unique challenges have impacted existing and new internal controls. The velocity of risk and the national and global impact of the pandemic are key drivers.

43. All the top risks have been impacted to some degree by COVID-19 events and remain as strategic top risks at this time. The assessed likelihood of the risk eventuating has increased for three top risks: cyber, significant internal and external disruptions and service delivery.

44. The risk assessment for the service delivery top risk has increased from moderate to high due to the impacts and increased likelihood of service delivery from COVID-19. Cyber, significant internal and external disruptions risks have been assessed as having an increased likelihood of occurring, but the residual rating does not change. Additional mitigations and strengthening of controls and/ or the existing controls and mitigations have been implemented and are adequately mitigating the risks. These risks remain assessed as high. All other residual risk ratings remain unchanged.

Emerging Risks
45. Three strategic risks have been identified to be added to the top risk register concerning financial management, recovery and Māori outcomes.
46. The risk descriptions are being refined and assessed and further controls developed to address the evolving COVID-19 pandemic situation, anticipated government directions, ongoing restrictions and financing and recovery decisions.

47. Attachment B contains high-level analysis of the emerging risks:
   (a) Financial management – inability to prudently manage Council’s financial obligations
   (b) Recovery - failure to strategically support and execute Council’s recovery plan, obligations and realise its objectives
   (c) Māori Outcomes – failure or inability to meet responsibilities to Māori.

Health, Safety and Wellbeing risk update and COVID-19 response

48. The focus for the corporate health and safety department over the last quarter has been on supporting Auckland Council’s response to the COVID-19 pandemic. There has been significant work required and many new systems and processes have been developed at pace to respond and manage the emerging risks.

49. Representatives from the Health and Safety department have joined the Crisis Management Team since it was established and have staff deployed into Auckland Emergency Management. The team have also supported frontline business units that have continued to work over the lockdown in relation for the specific demands created by the pandemic and business as usual matters.

50. As a result of the lockdown, there has been a reduction in hours worked across the organisation. There were five total recordable injuries in April compared to 24 total recordable injuries in March 2020. April’s hours worked were approximately 4 per cent of March’s hours, which resulted in a lower injury rate.

51. Mental health and wellbeing risks are a top priority at this time, recognising the various additional stressors associated with COVID-19 on staff.

52. Employee Assistance Programme (EAP) usage initially increased at the start of the lockdown but has since reduced. To support staff and contractors, the People and Performance division has developed a wellbeing initiative, Te Papa Hauora. This is a dedicated hub on the Council’s intranet – Kotahi (Te Papa Hauora) for staff to access advice and information focused on all elements of wellbeing – spiritual, mental and emotional, physical, family and social and land or roots. This was based on ‘Te Whare Tapa Whā’, a holistic Māori health model developed by Sir Mason Durie.

53. In addition to Te Papa Hauora, a suite of initiatives have been implemented in response to COVID-19 to ensure we provide a safe environment for our people, staff, contractors and our communities. Key activities include:

- Corporate property department implementing increased cleaning, building loading, and managing fleet
- Two contactless technology solutions have been developed (Virtual Check-in and My Work GPS) to register who has accessed Council buildings and facilities, and people’s movements to ensure the safety of our people, visitors, contractors, and customers
- Guidance documents and templates are available online for people leaders targeted at leading teams through the COVID-19 crisis. These have included guidance on safety working remotely, what to do if someone returns a positive test for COVID-19, PPE usage, and managing vulnerable employees
- E-learning courses have been made available on risk assessments for returning to work
- Staff can access confidential counselling and support through employee support services such as Manawa Rahi and EAP
- Health and Safety staff have been redeployed to Auckland Emergency Management and Civil Defence Emergency Management to ensure a robust health and safety risk framework is in place, adequate Risk assessments are conducted, and risks are managed, particularly for staff redeployed over the lockdown
• The Council’s Our Charter Speak Up principles and processes are being reinforced in all relevant communications. The established channels are operating, with particular focus on coordinating and triaging matters being raised to support staff and resolve issues as quickly and effectively as possible.

Health, Safety and Wellbeing top risk

54. The health and safety top risk on Council’s top risk register was reviewed as part of the May 2020 top risk review. The health and safety top risk summary is in Attachment B (slide 9).

55. The health, safety and wellbeing risk remains a top priority and risks, hazards and incidents are continuing to be monitored through the risk manager online system.

56. While the potential health and safety hazards have altered with the outbreak of the pandemic, working from home requirements and redeployment of staff, the overall residual risk rating has not changed and is assessed as high.

57. The Health and Safety department are performing an assessment on critical health and safety risks to improve the risk monitoring and reporting. These risks will be documented in the departmental risk register.

58. A road map for health and safety is being developed to improve the integration of processes, procedures, and policies for health and safety risk identification and assessment across the organisation. The road map will be reported to the next Audit and Risk Committee in August 2020.

Financial management risk and Emergency Budget process

Financial risk update

59. The financial impacts of COVID-19 on the Auckland Council Emergency Budget for 2020/2021 remain highly uncertain. The work to prepare a budget has needed to be assumption driven and follow a systematic approach to scenario modelling.

60. The key drivers of the financial risks include the uncertain extent and length of disruption and its impacts, market volatility, legislative environment changes, capital contract complexity, and other broader economic aspects.

61. Following the COVID-19 enterprise risk review, the executive leadership team has agreed that, in light of the strategic impacts and magnitude of the COVID-19 related financial risks and challenges, financial management risk should be included in the council’s top risk register at this time.

62. The identified strategic risk is that the council is unable to prudently manage the council’s financial obligations. A summary of a high-level risk assessment and the key current controls is in Attachment C.

63. Further risk analysis, evaluation, and recording of the risk mitigations and the control measures being designed and implemented is underway. The details will be recorded in the top risk register and reported to the Audit and Risk Committee at its next meeting.

Emergency Budget Process - role of Audit and Risk Committee

64. The Audit and Risk Committee’s role in relation to the emerging financial risks from COVID-19 is to maintain independent monitoring and oversight of the financial risk management for the council group.

65. The Audit and Risk Committee received a briefing on the financial risks and approach being taken on 14 April 2020. The committee passed resolutions noting the risks and mitigations and advising the Emergency Committee and Governing Body that the methodology and assumptions underpinning the financial scenario modelling are reasonable given the circumstances. [AUD/2020/19]
66. A rapid process is required to prepare the budget and enable time for public consultation, consideration of feedback, decision making and adoption of the Emergency Budget and the setting of rates by end of July 2020.

67. Since the 14 April 2020 report to the Audit and Risk Committee, the endorsed process and methodology has continued, and work has continued at pace on the financial scenario modelling.

68. The budget projections across the group have been updated based on a revised set of assumptions. As well as assessing the direct impacts of COVID-19 disruption, revised budget projections included a wide range of measures to mitigate the overall financial pressures on the group arising from this situation.

69. To maintain independent oversight through the process in an efficient and agile way, between 14 April and 26 May 2020, management have briefed the Chair of the Audit and Risk Committee on financial management risks and refinements to the assumptions and financial position.

70. Through this process, the chair of the Audit and Risk Committee has provided independent oversight and feedback to management to ensure the process and assumptions used to generate the 2020/2021 budget remain reasonable.

71. At the time of writing of this report, it is anticipated that a budget decision meeting of the Emergency Committee will be held on 21 May 2020. A proposed consultation document will subsequently be reported to the Emergency Committee on 28 May 2020, prior to the consultation with the public. A verbal update will be provided to the Audit and Risk Committee on the process.

Drought emergency – Council response and mitigations

72. Auckland is currently experiencing the worst drought since records began. As at 6 May 2020, total water storage was approximately 46 per cent of capacity. Since the start of 2020, Auckland has received less than half of the usual rainfall.

73. The management of water supply is primarily the responsibility of Watercare. A report from Watercare on the drought situation is included as Attachment F of the CCO Risk Update report in the confidential agenda.

74. On 7 May 2020, the Emergency Committee imposed mandatory stage 1 restrictions to manage and mitigate the risks of maintaining an adequate supply of drinking water to the Auckland metropolitan system due to the 2019/2020 drought.

75. A workshop has also been held with water suppliers, public health and emergency management agencies to consider the impacts of longer-term drought in the Auckland region.

76. In the short term, the risks to the council will be financial. There are significant costs to providing wellbeing water sources over summer and potentially in providing non-potable water sources to replace water restricted through Watercare’s restrictions, or in consequential impacts for example to our construction projects.

77. Community wellbeing is a high focus, and messaging continues to stress that measures are not affecting people’s ability to implement good personal hygiene.

78. Longer term, if the drought continues, there may be impacts on services with high water use and consequential impacts on Council’s assets such as sports fields or farm assets. The planning being done at present is considering how this will be prioritised and implemented if necessary.

79. Under the recent rural drought in Auckland, communities and individuals who gather and provide their own water via rain tanks experienced long waiting lists because of demand. The Healthy Waters department, under their small waters service, provided ‘wellbeing’ quantities of water to those water tank owners who were running low on supplies. They also worked with Watercare to implement a tanker-to-tanker fill to bring water to isolated areas
and speed up the waiting lists. Watercare also added new tanker filling stations to its network to speed up deliveries. In some isolated areas where people rely on stream fills, the Healthy Waters department has also enabled provision of ‘wellbeing’ levels of water through upgrading or implementing new water bores.

80. In the summer, after discussions with Watercare, the council began to implement voluntary water restrictions to council operations, to work alongside Watercare’s public campaign for water restrictions. This includes stopping irrigation of parks, except for sports fields which are maintained as a capital asset, closing public fountains and water play areas, stopping external building cleaning, and improving water use monitoring to identify leakage issues early.

81. COVID-19 closures have also significantly reduced Council water use at swimming pools and leisure centres. Work is now underway to plan for any future increases in water restrictions. This includes identifying non-potable water sources which can be used to replace resources affected by Watercare’s restrictions and planning for further reduction measures. The impacts of regulation are also being considered, such as requirements for dust suppression in construction.

COVID-19 Impacts on AC36 Programme (America’s Cup)

82. The teams working on the planning of the 36th America’s Cup (AC36) across Auckland Council Group and its key partners remain keenly focused on their respective projects and workstreams whilst being mindful of the need to adapt aspects of this activity in line with existing and yet to be determined guidance from Central Government.

83. Whilst the impacts of COVID-19 cannot yet be fully understood, critical factors will include New Zealand’s movement through the alert levels, restrictions on gatherings, and decisions around the opening of New Zealand’s borders. The impacts depend on both the New Zealand response and how other countries are able to manage COVID-19.

84. The council group and Ministry of Business, Innovation and Employment (MBIE) have been working closely with the America’s Cup event organiser, America’s Cup Event Limited, to work through scenario-based contingency planning. This will determine how the event can be delivered.

85. Consideration is also being given to wider interconnected risks such as any construction and infrastructure delays on work in and around the village area, when teams may be able to get to New Zealand to prepare for the event and impacts on other event suppliers and service providers.

86. Work that is continuing during this time includes city integration planning, transport planning, permitting, and crowd management planning; the development of business and community readiness kits; engagement with events partners on the Summer Festival Programme and planning for the supporting campaign, as well as forward planning to support the recovery.

87. Price Waterhouse Coopers have completed a review of the governance of the AC36 Programme. The Risk and Insurance department at Auckland Council will continue to work with the Chair of the Joint Chief Executive Group (JCEG) and Chief Executive of ATEED, to ensure the programme risk management practices are fit for purpose as the programme evolves with a stronger focus on event delivery.

88. The key risks to the outcomes of the programme currently include:

- Funding – insufficient funding to meet cost pressures
- Financial Management – poor budget management, monitoring and reporting
- On Water Safety – incident on the water involving participants or spectators
- Communications – ineffective communications to spectators, competitors, businesses, communities and public (benefits, excitement)
- Movement of People – ineffective land transport management
- Spectator Experience – spectator and fan experience compromised
- Competition – withdrawal of challengers
Item 9

- Leverage opportunities relating to the event (including the Summer Festival programme) impacted by financial prioritisation and ongoing event restrictions.

Refocused enterprise risk programme

89. The enterprise risk strategy remains unchanged with the focus to continuing to lift risk culture across the council.

90. The council is experiencing unprecedented financial constraints following COVID 19 and an ongoing period of change and uncertainty while it refocuses its objectives and priorities.

91. The deliberate and consistent risk assessment and management remains critical for good decision making and strong recovery.

92. We are continuing to review and refine the enterprise risk programme to adjust to available resourcing and emerging priorities.

93. The enterprise risk work programme has been adjusted in the short to medium term to focus on the following priorities:
   (a) embedding and monitoring adherence to the risk management framework
   (b) providing risk advice and support to the executive leadership team and critical recovery phase projects and activities: the recovery workstream, Auckland Emergency Management, shovel-ready projects, Annual Plan/Long-term Plan processes
   (c) oversight, reporting and escalation of risks and issues to enterprise leaders, the Audit and Risk Committee and Governing Body
   (d) partnership with divisions to improve consistency and capability. Leverage COVID-19 risk pulse checks - foundation for ongoing risk management through the recovery phase
   (e) supporting the council group’s insurance programme – key policy risk reviews and risk strategy development
   (f) risk champions programme (a reduced programme will continue to be delivered, focused on priority departments and critical internal control areas)
   (g) collaboration and coordination and with council-controlled organisations.

94. The following activities and planned work have been suspended or deferred:
   (a) Scoping and business case for an online risk management system
   (b) Risk deep dive review programme. Deeper focused reviews of top risks have been suspended until the risk profile stabilises
   (c) Support of projects not related to recovery or directly required for implementation of strategic objectives
   (d) Line two control effectiveness assessments (Assurance Services audit programme will continue and inform risk assessments)
   (e) General staff training and capability building. Quality advice training and risk management capability building has been deferred.

Tauākī whakaaweawe āhuarangi
Climate impact statement

95. The climate change adaptation and mitigation risk remains a top risk for Auckland Council. The residual risk has been assessed as High and remains unchanged at this time. The summary of the climate change top risk is in Attachment B slide11.

96. There are no direct climate change implications arising from this report.
Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
97. The Risk and Insurance department has facilitated a council group approach to the risk management response to COVID-19. This has involved collaboration and development of a template for consistent targeted reporting suitable to gain oversight and assurance of risks across the group. The council-controlled organisation’s updates are contained in a separate report to the Audit and Risk Committee.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
98. Local boards are affected by many of the top risks as they represent risks to the entire organisation. The top risks will be referred to the Local Board Chairs for awareness and to assist local boards’ decisions.

Tauākī whakaaweawe Māori
Māori impact statement
99. The delivery of Māori Outcomes is a key strategic objective for Council.
100. COVID-19 is expected to have serious and prolonged impacts on all vulnerable communities. The potential risk that council may be unable to meet its responsibilities to Māori would have a range of significant impacts and consequences including social inequality, breach of statutory obligations and a loss of trust and confidence in Council.
101. Accordingly, it has been determined that the potential risk of not being able to deliver outcomes for Māori should be included in the top risk register at this time.

Ngā ritenga ā-pūtea
Financial implications
102. The financial management emerging risk has been identified and added to the Top Risk Register to enable adequate and ongoing risk management of this risk.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
103. The emerging risks and issues are addressed in the body of this report.

Ngā koringa ā-muri
Next steps
104. The risk business partners are leading the roll out of the refreshed Enterprise Risk Framework and cascade of the top risk review and COVID-19 departmental pulse checks throughout the organisation.
105. Assessments and monitoring of the new top risks including control gaps and mitigations will be undertaken and reported to the executive leadership team in June 2020.
106. Monthly risk updates will be reported to ELT during the recovery period.
107. An update will be provided to the Audit and Risk Committee on the risk work programme activities and management of Council’s top risks (including the financial management risks), and the Emergency Budget process and Long-term Plan process on 24 August 2020.
108. An update will be provided to the next Audit and Risk Committee on the enterprise risk activities and management of Council’s top risks.
Ngā tāpirihanga
Attachments

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<td>23</td>
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<table>
<thead>
<tr>
<th>Prepared by: (Name)</th>
<th>Position</th>
<th>Signature and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caroline Innes Mehta</td>
<td>Senior Risk Advisor</td>
<td>31/01/20</td>
</tr>
<tr>
<td>Reviewed by: (Name)</td>
<td>Position</td>
<td>Signature and date</td>
</tr>
<tr>
<td>Kevin Ramsay</td>
<td>Chief Risk Officer</td>
<td>03/02/2002</td>
</tr>
<tr>
<td>Council Controlled Organizations</td>
<td>Risk Managers</td>
<td>24/02/2020</td>
</tr>
<tr>
<td>Approved by (Name)</td>
<td>Position</td>
<td>Signature and date</td>
</tr>
<tr>
<td>Executive Leadership Team</td>
<td>Executive Leadership</td>
<td>07/04/2020</td>
</tr>
</tbody>
</table>
1 What is Risk Management?

1.1 Introduction

Auckland Council provides a diverse range of services to approximately 1.7M residents. Council is required to plan for and manage growth and change, deliver on its objectives within the context of significant population, climate and urban change as well as increased legislative and regulatory compliance obligations and financial accountability.

We encounter risks on an ongoing basis. It is incumbent on Council to understand the internal and external risks that may impact the delivery of its organisational goals and have processes in place to identify, mitigate, manage and monitor those risks to ensure the best outcome for the community, staff and Council.

The ISO Standard on Risk Management describes risk as “the effect of uncertainty on objectives”. Risk is the probability of an internal or external situation (an event) having the potential to impact upon Council, preventing Council from successfully achieving its objectives, delivering its services or capitalising on its opportunities. Risks are an everyday occurrence that could potentially impact on Council’s ability to meet its obligations to stakeholders and the community. Council recognises that while some risks cannot be fully eliminated, they can be, controlled and managed to an acceptable level.

Risk management is defined as “the coordinated activities to direct and control an organisation with regard to risk”. Council’s Risk Management Framework (‘Framework’) is aligned to the ISO Standard and be will applied to all activities of Council. Risk needs to be considered and addressed by everyone, including governing bodies, executive staff and senior management, employees, partners and related stakeholders. Council is committed to promoting an organisational culture where risk management is embedded in all activities and business processes.

1.2 Purpose

Council undertakes proactive risk management because:

- council provides critical services and infrastructure to the residents and visitors
- it is good practice to understand the strategic and operational risks and opportunities facing Council in order to make informed decisions and meet organisational and strategic goals.
- council has service agreements and contractual obligations with government and nongovernment agencies and organisations.

The Framework is designed to provide the architecture for a common platform for all risk management activities undertaken by Council, from individual functional, process or project based assessments to whole-of-organisation assessments, with the aim of enabling comparative analysis and prioritisation of those assessments either individually and cumulatively. The Framework will be reviewed by the Risk team and approved every year by the Executive Leadership team.
2 Why do we Manage Risk?

Risk is inherent in nearly everything we do, and that it is only by embracing risks that we achieve many of our business/council KPI objectives. **We manage risks for a reason.** A key factor in realising the objectives of a strategy is the efficiencies gained from effective risk management. By incorporating risk management principles, organisation leaders and business managers can understand and minimise the effects of risks to their goals and objectives through the process of assessing and treating risks.

2.1 Auckland Council’s Risk Management Objectives:

- **Improve decision-making** by incorporating effective risk assessment techniques into the decision-making process.
- Develop a ‘risk aware’ culture that encourages all staff to identify and talk about risks.
- Provide a simple process for the early and systematic identification, analysis and assessment of risk and the development of plans for controlling and mitigating risk.
- Integrate risk management practices into all aspects of the organisation’s business activities.
- Enable innovation by increasing risk management competence.

2.2 Risk Management Aligns to the Organisational Strategy

The diagram below shows the ‘Six Steps Up’ from the 2018 Auckland Council Organisational Strategy, how risk management aligns to them and what's are Risk Appetite.

![Risk Management Diagram](attachment:attachment-a.png)

2.2.1 Auckland Council’s Risk Appetite Statement

Risk Appetite Statements are a directive from the Executive Leadership Team to indicate their comfort levels for risk. Mitigation actions should be based on the Risk Appetite Statements. Where
residual risk ratings are higher than the risk appetites directives, mitigation strategies should be employed to lower risk to the required levels. Where mitigation strategies cannot be undertaken and risk cannot be tolerated at the business unit level, the risk should be escalated to senior levels to be owned and managed. The Risk Appetite Statements are attached as Appendix A.

2.3 Risk Management Benefits
The development of effective risk management practices within Council will assist in delivering the following benefits:

- **Goal**: Attain long term goals
- **Good Decision Making**: Make better decisions
- **Asset Protection**: Protect our assets
- **Enhance Reputation**: Enhance Reputation
- **Improve Performance**: Improve performance
- **Reduce unplanned impacts and surprise events**: Maximise opportunities

3 How do we Manage Risk?

3.1 Risk Management Process
Auckland Council has adopted the ISO: Risk Management Guidelines (ISO 31000:2018). This standard outlines the risk management process to ensure risks are dealt with uniformly and systematically. The process is illustrated and explained in this diagram:
3.1.1 Communication and Consultation

Communication and consultation with internal and external stakeholders are important elements at each step of the risk management process. Effective and timely communication is essential to ensure that those responsible for implementing risk management and those with a vested interest understand the basis on which risk management decisions are made and why particular actions are required. We each play a role in Risk management.

Roles and Responsibilities

The Three Lines of Defence model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties.

3.1.2 Establishing the Context

Establishing the context means understanding the organisation’s objectives, defining internal and external factors that could be a source of uncertainty and setting the scope and risk criteria for the remaining risk management process.

3.1.3 Risk Identification

The purpose is to identify all risks: the what, when, where, why and how incidents might impact on the achievement of objectives. Comprehensive identification using a well-structured systematic process is critical, as a risk not identified cannot be included in further analysis.
A risk, by definition, is a potential for something to happen/a possibility not an actuality and consequently the language used to describe risks should express this element of potentiality. The Council may use a range of tools and approaches to determine potential risks, including:

- Auckland Council's Risk Appetite statement.
- team based brainstorming with experienced and knowledgeable staff.
- structured techniques (such as SWOT analysis, process mapping & Bow Tie analysis).
- annual strategic, council planning, budget and risk identification workshops,
- regular compliance reviews (internally and externally).
- internal review by the Audit and Risk Committee; and
- reviews by external service providers.

### 3.1.4 Risk Analysis

Analysis involves developing an understanding of the risk, the likelihood of the risk occurring and the full range of potential impact/consequences. Identification of likelihood and impact is not scientific: it is a qualitative or semi-quantitative exercise based on perception and history. The initial analysis provides the Inherent Likelihood (See Appendix D), the Inherent Impact (See Appendix E), and the Inherent Risk Rating (See Appendix F). At this stage, the analysis assumes that all/few controls have failed or there were no/few effective controls in place.

### 3.1.5 Risk Evaluation

The evaluation process looks at the strength of the current controls in place to mitigate the extent of potential losses. A decision is required as to whether the current controls are effective.

Controls should be designed to mitigate, discourage, identify and/or limit the impact and likelihood of a risk from occurring. Control Description should be based on: Who, What, Why, Where, When and How, example: The Quality assurance team is monitoring the checklist of consenting process every 2 weeks to ensure there were no human error.

**Control Effectiveness rating:** The table below assists in the assessment of the controls in use. The Control Rating is the subjective view of the Risk owner and the Control owner(s) and is reflective of the effectiveness of all the controls i.e. controls are not rated individually.

<table>
<thead>
<tr>
<th>Control Effectiveness Rating</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>Controls are well designed, documented and address the root cause</td>
</tr>
<tr>
<td>Needs Improvement</td>
<td>Design of the controls may be largely correct in that they treat most of the causes of the risk, they are currently not effective, or Some controls are not correctly designed - they do not operate effectively</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>Significant control gaps exist</td>
</tr>
</tbody>
</table>
### 3.1.6 Risk Treatment

Risk mitigation/treatment involves identifying the most appropriate responses to reducing the inherent risk level to a status acceptable within the Council’s risk tolerance. Both controls and treatments are designed to mitigate the risk by reducing the likelihood of negative events occurring and/or reducing the impact of risks should they occur.

For each risk, consideration is to either:

- **Treat** – additional control measures to reduce consequence and/or likelihood
- **Tolerate** – accept current level of risk.
- **Terminate** – remove the source of risk
- **Transfer** – transfer risk to third party generally by means of insurance or to another entity. It should be noted that some risk (e.g. reputational risk) will remain or be shared.
- **Taking or increasing the risk in order to pursue an opportunity (within the Risk Appetite).**

<table>
<thead>
<tr>
<th>Residual risk rating</th>
<th>Control Effectiveness</th>
<th>Actions or Risk Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical/High</td>
<td>- Satisfactory</td>
<td>- Action plans to be developed to reduce residual risk exposure or Risk acceptance approved by Executive leadership team &amp; reviewed by Audit and Risk committee</td>
</tr>
<tr>
<td></td>
<td>- Needs Improvement</td>
<td>- Actions/acceptance must be finalized no later than 30 days after the executive attestation (see section 3.1.7)</td>
</tr>
<tr>
<td></td>
<td>- Unsatisfactory</td>
<td>- Outstanding and/or overdue action plans reported to Executive leadership team / Audit and Risk committee</td>
</tr>
<tr>
<td>Medium</td>
<td>- Needs Improvement</td>
<td>- Action plans to be developed to reduce residual risk exposure or Risk acceptance approved by Executive responsible and presented to Executive leadership team</td>
</tr>
<tr>
<td></td>
<td>- Unsatisfactory</td>
<td>- Actions/acceptance must be finalized no later than 30 days after the executive attestation (see section 3.1.7)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Outstanding and/or overdue action plans unreported too Executive leadership team Audit and Risk committee</td>
</tr>
<tr>
<td>Medium</td>
<td>- Satisfactory</td>
<td>- No further actions required</td>
</tr>
<tr>
<td>Low</td>
<td>- Satisfactory</td>
<td>- No further actions required</td>
</tr>
<tr>
<td></td>
<td>- Needs Improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Unsatisfactory</td>
<td></td>
</tr>
</tbody>
</table>
3.1.7 Risk Recording and Reporting

The purpose of risk reporting is to create awareness of key risks, issues/incidents, improve accountability and the timely implementation of risk treatment plans. **Everyone in Council has a part to play in reporting and recording risks.** The table below explains our roles responsibilities on reporting, recording and escalating:

<table>
<thead>
<tr>
<th>Responsible</th>
<th>Reporting</th>
<th>Recording</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Staff</td>
<td>Any incident, issue or emerging risk must be reported to your Risk Champ</td>
<td>None</td>
<td>As and when identified</td>
</tr>
<tr>
<td>Risk Owner</td>
<td></td>
<td>Record and manage risks in the risk register with control self-assessment done in discussion with Risk Champs, control &amp; action owners.</td>
<td>Monthly</td>
</tr>
<tr>
<td>Risk Champs</td>
<td></td>
<td>Report completed risk register to the Risk team</td>
<td>Monthly</td>
</tr>
<tr>
<td>Risk Business Partner</td>
<td></td>
<td>Assists in Recording risks in the risk register with control self-assessment done in discussion with Risk owners/General managers, Control owners, action owners etc</td>
<td>Monthly</td>
</tr>
<tr>
<td>Executive</td>
<td></td>
<td>Review risk register, and analyse controls gaps and actions of the entire division and provides a collaborated report to the Executive responsible</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Risk Team</td>
<td></td>
<td>Executive Attestation: The Executive reviews and approves the overall risk and control environment to ensure risks have been regularly reviewed, are current and are a true and fair reflection of the risk environment in which they operate.</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

3.1.7.1 Escalation Process:

A risk may need to be escalated to a higher level of management if:

- The risk cannot be controlled/contained within its current level
- The risk rating remains high or extreme even after mitigations are implemented
Auckland Council Risk Framework

- The risk will impact on more than one service/project or function if the risk event materialises
- Instinct tells the owner the risk is out of their control
- The risk moves outside the appetite boundaries / comfort zone
- The risk is new with a high-risk rating that requires immediate senior manager attention.

A risk may need to be moved to a lower appropriate level of management if:

- The risk can be controlled / managed at a lower level
- The risk rating decreases significantly
- The risk event will only affect one function / service area / team and the impact will be limited.

3.1.8 Monitor and Review

It is the responsibility of Risk and Control owners to ensure that risks and controls self-assessment are kept up to date on an ongoing basis. Individual risk and control owners are required to maintain their risk and controls so that they are complete, accurate and current, which means that the risk and controls should be regularly reviewed and updated to ensure the risks reflect the current risk end control environment of the council.

Risk and the effectiveness of control measures to manage risk will be monitored by the Risk team on an ongoing basis to ensure changing circumstances, such as the political environment and the Council’s strategic objectives and risk appetite do not alter the risk evaluation profiles and adequacy assessments.
4 Appendices

Appendix A: Risk Appetite Statements

General Statement of Risk Appetite

Risk appetite is the level of risk Council is prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options, to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery of infrastructure and services while also providing an acceptable level of value for money.

Auckland Council operates within a considered control environment. This control environment includes risk and assurance oversight, governance oversight including Council's Audit and Risk Committee, a robust financial planning process incorporating the Long-term Plan and Annual Plan and external oversight by Audit NZ and the Office of the Auditor General. By formally outlining risk appetite statements, Council is providing clarity on where comprehensive controls are required and enhancing transparency.

Auckland Council is an organisation that takes the delivery of services to our customers and communities at value for money seriously. Council generally has a low appetite for risk taking that will adversely affect our core objectives.

Council will not accept risks that could impact the safety and welfare of our people, our legal obligations, and our financial stability. Council is willing to take well defined risks at a low to Medium level where it will result in the achievement of strategic initiatives and objectives.

While effective risk management identifies threats, it can also identify opportunities. Auckland Council is willing to support initiatives that optimise opportunities and innovation when the benefits outweigh the risks involved.

Risks that are beyond Auckland Council’s risk appetite should be escalated to senior management where treatment plans and actions can be closely monitored. The table below is a summary of Council’s Risk Appetite Statement.
### Auckland Council Risk Framework

<table>
<thead>
<tr>
<th>Category Group</th>
<th>Description</th>
<th>Risk Appetite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Risk of Council strategies and plans are inconsistent or ineffectively delivered.</td>
<td>Medium</td>
</tr>
<tr>
<td>Third party /interdependencies</td>
<td>Risk that involve partnerships and relationships with third parties to deliver strategic outcomes</td>
<td>Medium</td>
</tr>
<tr>
<td>Financial</td>
<td>Risks that would adversely affect Council's credit rating and long-term financial stability, or breach any funding policies</td>
<td>No appetite</td>
</tr>
<tr>
<td></td>
<td>Risk that financial decisions will impact on costs or revenue.</td>
<td>Medium</td>
</tr>
<tr>
<td>Reputational</td>
<td>Risks or conduct that would affect the trust and confidence of our customers and communities in the Council organisation</td>
<td>Low</td>
</tr>
<tr>
<td>Project/Programme</td>
<td>Risks relating to the non-delivery of projects and commitments.</td>
<td>Medium</td>
</tr>
<tr>
<td>Business Disruption</td>
<td>Risks that council’s essential operations and processes are disrupted.</td>
<td>Low</td>
</tr>
<tr>
<td>IT System and Service</td>
<td>Risks that will impact our technological capacity to deliver our services.</td>
<td>Low</td>
</tr>
<tr>
<td>Information Security and Cyber Risk</td>
<td>Risks that will impact our Council’s and customers confidential information</td>
<td>Low</td>
</tr>
<tr>
<td>Environmental</td>
<td>Risks that would affect Auckland’s environment and sustainability objectives.</td>
<td>Low</td>
</tr>
<tr>
<td>People</td>
<td>Risk that will affect staff performance and engagement.</td>
<td>Medium</td>
</tr>
<tr>
<td>Health, Safety &amp; Wellbeing</td>
<td>Risks that will compromise the health, safety and wellbeing of, or cause harm to, our people including staff, customers and our community</td>
<td>No appetite</td>
</tr>
<tr>
<td>Operational</td>
<td>Risks to delivery of services arising from our decision-making structures and processes</td>
<td>Low</td>
</tr>
<tr>
<td>Regulatory and Legal Compliance</td>
<td>Risks associated with our legal obligations including our regulatory activities</td>
<td>Medium</td>
</tr>
<tr>
<td>Integrity</td>
<td>Risk that relate to ethical obligations or fraudulent activities</td>
<td>No appetite</td>
</tr>
</tbody>
</table>

### Description

**High**

Council is willing to accept a **high** risk to pursue a strategic opportunity that will result in a high level of return or benefit to the community, or where it is necessary due to statutory requirements.

If Council expects that:

- Council’s viability, reputation and services **may be severely damaged** should the risk eventuate, **but**
- Control measures to mitigate the likelihood and consequence of the risk are in place and are actively monitored

**Medium**

If Council expects that:

- Council’s viability, reputation and services **may be affected in a major way** should the risk eventuate, **but**
- Control measures to mitigate the likelihood and consequence of the risk are in place and are...
Audit and Risk Committee  
26 May 2020

<table>
<thead>
<tr>
<th>Low</th>
<th>If Council expects that:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Council’s viability, reputation and services will only be affected in a minor way should the risk eventuate, and</td>
</tr>
<tr>
<td></td>
<td>• Control measures to mitigate the likelihood and consequence of the risk are in place.</td>
</tr>
</tbody>
</table>

| No Appetite | Council is not willing to accept risks that may result in financial loss, injury, legal non-compliance and fraud. |

**Review**

The Risk Appetite Statements will be reviewed annually or following any significant event.

**Appendix B: Risk Categories**

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Category Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic</strong></td>
<td>Strategic risk is defined as the risk associated with initial strategy selection, execution, or modification over time that results in a lack of achievement of overall LTP objectives. Strategic risks arising from:</td>
</tr>
<tr>
<td></td>
<td>• deciding on and following incorrect strategies (strategic decision risk),</td>
</tr>
<tr>
<td></td>
<td>• not executing the strategies successfully (execution risk)</td>
</tr>
<tr>
<td><strong>Third Party/Interdependency</strong></td>
<td>Third party risks including third party failure and non-performance. Third parties include partners, suppliers, contractors, vendors, sub-contractors, outsourced providers and Council Controlled Organisations.</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>Financial risks arising from Auckland Council’s inability to:</td>
</tr>
<tr>
<td></td>
<td>• Manage its debt and financial leverage (including credit risk) and</td>
</tr>
<tr>
<td></td>
<td>• Generate sufficient revenue to cover its operational expenses.</td>
</tr>
<tr>
<td></td>
<td>Unforeseen financial impact including loss of monies from fraud, changes to exchange rates, interest rates, commodity prices, loss of other incomes, fines/penalties, poor investment or expenses incurred.</td>
</tr>
<tr>
<td><strong>Reputational</strong></td>
<td>The Risk of Council organisational actions and behaviours which result in poor outcomes for customers and communities.</td>
</tr>
<tr>
<td><strong>Project / Programme</strong></td>
<td>Auckland Council is exposed to risk associated with the implementation and management of projects/programme. Delivery risks such as ‘failure to deliver the service within agreed set terms’ and ‘failure to deliver on time/budget/specification’. This category covers risks in the areas of project planning, project organization, design and quality of construction, stakeholder management, programme interfaces, programme governance, project decision-making.</td>
</tr>
<tr>
<td><strong>Business Disruption</strong></td>
<td>• Major disruptive events due to internal or external events where major Disaster Recovery Plan and Business Continuity Plan needs to be invoked. Examples of disruption events include: - Pandemic events</td>
</tr>
<tr>
<td><strong>IT Systems and Service</strong></td>
<td>Risks arising from IT systems and application failures in relation to fit for purpose, availability, reliability and integrity.</td>
</tr>
<tr>
<td><strong>Information Security and Cyber risk</strong></td>
<td>Unauthorised access to system and data (digital and hardcopy). Loss of confidential information, privacy risks etc.</td>
</tr>
<tr>
<td></td>
<td>Deliberate and unauthorized breaches of security to gain access to information systems.</td>
</tr>
</tbody>
</table>
## Audit and Risk Committee

26 May 2020

### Attachment A

### Item 9

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Category Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unintentional or accidental breaches of security. Denial of service attack (cyber security risk)</td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>The potential for adverse effects on living organisms associated with the contamination of:</td>
</tr>
<tr>
<td></td>
<td>- Land, fresh water and marine environments</td>
</tr>
<tr>
<td></td>
<td>- Threat of extinction of Auckland’s Local native species</td>
</tr>
<tr>
<td></td>
<td>- Hazardous substance contamination from industrial activities, or</td>
</tr>
<tr>
<td></td>
<td>- The depletion of natural resources.</td>
</tr>
<tr>
<td></td>
<td>Environmental risks include extreme temperatures, floods, fires, and extreme weather events. (climate change)</td>
</tr>
<tr>
<td>People</td>
<td>The Risk that the organisation may occur losses due to a drain or loss of key personnel, deterioration of morale, inadequate development of human resources, inadequate, recruiting or loss of skill/knowledge.</td>
</tr>
<tr>
<td>Health, Safety &amp; Wellbeing</td>
<td>Risks arising from external or internal events, that may have a material impact on the health, safety and wellbeing of employees, contractors (including volunteers).</td>
</tr>
<tr>
<td>Operational</td>
<td>Threats and opportunities associated with business process design or implementation. Any event that impacts business processes.</td>
</tr>
<tr>
<td>Regulatory and Legal compliance</td>
<td>Legal and Regulatory and compliance risks arising from failures to implement, or comply with, appropriate laws, regulations, contractual agreements, policies and procedures.</td>
</tr>
<tr>
<td>Integrity</td>
<td>Internal Fraud, external Fraud, corruption, theft etc</td>
</tr>
<tr>
<td></td>
<td>Wrongful or criminal deception intended to result in financial or personal gain. Loss/damage/theft of physical assets and information.</td>
</tr>
</tbody>
</table>
## Appendix C: Risk Register

Example of format only:

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Description</th>
<th>Department</th>
<th>Risk Category</th>
<th>Risk Source/Driver</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Impact</th>
<th>Control No.</th>
<th>Control Description</th>
<th>Control Owner</th>
<th>Control Actions</th>
<th>Risk Treatment</th>
<th>Risk Feedback</th>
<th>Risk Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>People - Training staff on core skill sets</td>
<td>People</td>
<td>People</td>
<td>People capacity and skill</td>
<td>People</td>
<td>High</td>
<td>High</td>
<td>None</td>
<td>Strategies and management scheduled to understand gaps</td>
<td>People</td>
<td>Improve</td>
<td>Reduce</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>People - Capacity increase every quarter</td>
<td>People</td>
<td>People</td>
<td>People capacity and skill</td>
<td>People</td>
<td>High</td>
<td>High</td>
<td>None</td>
<td>Strategies and management scheduled to understand gaps</td>
<td>People</td>
<td>Improve</td>
<td>Reduce</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Process - End to end process removed every quarter</td>
<td>Process</td>
<td>Process</td>
<td>Process efficiency and effectiveness</td>
<td>Process</td>
<td>High</td>
<td>High</td>
<td>None</td>
<td>Strategies and management scheduled to understand gaps</td>
<td>Process</td>
<td>Improve</td>
<td>Reduce</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Information - information systems testing every quarter</td>
<td>Information</td>
<td>Information</td>
<td>Information systems efficiency and effectiveness</td>
<td>Information</td>
<td>High</td>
<td>High</td>
<td>None</td>
<td>Strategies and management scheduled to understand gaps</td>
<td>Information</td>
<td>Improve</td>
<td>Reduce</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
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<td>6</td>
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</tr>
</tbody>
</table>
### Appendix C: Risk Register Guidance Document

<table>
<thead>
<tr>
<th>Column</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Number</td>
<td>The risk numbers are identifiers used to easily distinguish each risk. These numbers do not need to be used to rank risks in order of severity. You can simply keep it numeric order.</td>
</tr>
<tr>
<td>Division Name</td>
<td>From the drop-down list select the division the Risk is related to – e.g. it’s a risk related to Resource Consents the division selected should be Regulatory Services.</td>
</tr>
<tr>
<td>Risk Category</td>
<td>Risk categorisation allows grouping of risks, which is useful for reporting. Risks must be categorised using the categories listed and described within the Council Risk Management Framework. Select a category that best suits the risk. If you are unable to find an exact fit, choose the next best.</td>
</tr>
</tbody>
</table>
| Risk Description        | Once you have identified the risks in your area you will need to write a description that accurately describes them. An easy way to distinguish the risk is to put it in the following sentence: \[There is the risk that \ldots \quad \text{<something will happen>(event) \ldots \quad \text{due to} \ldots \quad \text{resulting in} \ldots \quad \text{<effect of the event>(impact) \ldots \ldots \ldots \ldots \ldots \ldots \ldots >}\]

  e.g. There is a risk of delay in consent Processing due to Process not designed/implemented correctly, Lack of staff, System not fit for purpose, & External party dependencies, resulting/impacting in poor customer experience, reputational damage. |
| Risk Causes             | In this column, the underlying potential causes / drivers of the risks need to be noted. This should identify items that would lead to / drive the risk materialising. An example of a Risk Driver could be "Inadequate communication of policies and updates to staff"  

  **Note:** To effectively manage risks, each of the drivers / causes should be addressed through controls. |
<p>| Risk Owner              | The risk owner is the person responsible for approving, managing, reviewing and monitoring the risk, ensuring the control effectiveness is rated correctly, action owner allocated appropriately, to ensure that it is accurately captured and that the risk is being managed within the approved appetite level. |</p>
<table>
<thead>
<tr>
<th>Column</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent Risk</td>
<td>Under the inherent or “pre-controls” assessment, the severity of the risk is determined if there were no controls in place. When analysing inherent risk, we look at the consequences and likelihood. The register has 2 drop down boxes where the likelihood and consequence can be ranked. Likelihood refers to the possibility of the risk, and its impacts to materialise. The consequence rating refers to the level of impact that the risk will have on the Auckland Council objectives. When determining the consequence rating, determine the objective that will be most impacted and assign the rating that matches the level of impact expected as per the Risk Assessment matrix (Appendix F). This matrix also indicates how the two ratings given correspond to the risk rating.</td>
</tr>
<tr>
<td>Control ID</td>
<td>Risk number. First Alphabet of the Division name, Control number. Example if it’s the 1st risk of the Governance Division and the first control = 1. G.1</td>
</tr>
<tr>
<td>Controls Description</td>
<td>A control is something that modifies (hopefully decreases) the level of risk. In most cases, preventative controls are the most efficient. When documenting the controls, the following questions are required to be answered: <strong>What is the control being performed (control type) – e.g. review, approval, monitoring, etc?</strong> <strong>Who performs the control?</strong> <strong>When is the control performed (control frequency) – daily, weekly, monthly, etc. or following a certain trigger (e.g. project milestone)?</strong> <strong>How is the control performed (control procedures)?</strong> <strong>Why is the control performed (control objective)?</strong> Please note that controls that are in the process of being developed \ enhanced should be included as actions to implemented additional controls they will generally not reduce the level of risk.</td>
</tr>
<tr>
<td>Control Owner</td>
<td>The control owner is the person/team that is accountable and/or responsible for executing the identified control(s). On a quarterly basis, control owners are required to review and monitor controls to confirm that the controls are designed and operating as intended for effective management of the risks. This program of work is known as a Control Self-Assessment (CSA). The Control Owner(s), in collaboration with the Risk Owner determines which controls are key and therefore in scope for control testing.</td>
</tr>
<tr>
<td>Column</td>
<td>Guidance</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Control Effectiveness          | Control evaluation allows the business to gauge the effectiveness of applied controls in terms of reducing the impact and/or likelihood of risk. This can help management assess whether the risk exposure is within an acceptable level or whether further controls or control improvements are required. Individual controls are assessed based on design and operating effectiveness to assign a Controls Effectiveness (CE) rating:  
  **Design**: how well the control should work in theory, if it is always applied as intended.  
  **Operating Effectiveness**: Consider the way in which the control is operating in practice, if it is applied when it should be and as intended. |
| Actions                        | If a control is rated as needs improvement or unsatisfactory an action needs to be implemented to improve the effectiveness of the control, with an action owner and due date assigned to it. |
| Residual Risk Assessment (after treatment) | This second assessment is to look at the residual risk after the existing controls are taken into consideration, including that they are implemented and working as expected. If you consider the residual risk rating to be too high, look at what other controls or risk treatment can be added and include this under “Additional Controls Required”. |
| Review Date                    | This field indicates the date that a risk was last reviewed. This field should be updated each time a risk is reviewed or modified in conjunction with the Risk team/Risk Advisor (Quarterly) |
### Appendix D: Risk Likelihood Table

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
<th>likelihood of occurrence</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Almost certain</td>
<td>Incidents will occur frequently each year</td>
<td>Multiple times per year</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>Incidents will almost certainly occur each year</td>
<td>1 per year</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>Incidents will possibly occur every 2 or 3 years</td>
<td>1 in 2 - 3 years</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>Incidents are unlikely, every 3 to 5 years</td>
<td>1 in 3-5 years</td>
</tr>
<tr>
<td>1</td>
<td>Rare</td>
<td>Incidents possible in exceptional circumstances</td>
<td>1 in 5+ plus years</td>
</tr>
</tbody>
</table>
## Appendix E: Impact Table

<table>
<thead>
<tr>
<th>IMPACT CATEGORIES</th>
<th>1 – Insignificant</th>
<th>2 – Minor</th>
<th>3 – Medium</th>
<th>4 – Major</th>
<th>5 – Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational</td>
<td>Negligible negative impact on overall programme/project delivery. Or Planned delivery met &gt;95%</td>
<td>&lt;2 week delay to internal milestone but no impact on overall delivery. Or Planned delivery met &gt;90%</td>
<td>2-4 week delay to internal milestone. Or Planned delivery met &gt;85%</td>
<td>4-8 week delay to internal milestone. Or Planned delivery met &gt;80%</td>
<td>&gt;8 week delay to internal milestones. Delays necessitate significant adjustments to the overall goals, objectives and/or plans. Or Planned delivery met &lt;75%</td>
</tr>
<tr>
<td>Finance</td>
<td>Insignificant Budget Overruns Departmental net-direct and capital budget overruns by more than 2% and less than 5%.</td>
<td>Minor Budget Overruns Departmental net-direct and capital budget overruns by more than 2% and less than 5%.</td>
<td>Moderate Budget Overruns Departmental net-direct and capital budget overruns by more than 5% and less than 10%.</td>
<td>Major Budget Overruns Departmental net-direct and capital budget overruns by more than 10% and less than 20%.</td>
<td>Extreme Budget Overruns Departmental net-direct and capital budget overruns by more than 20%.</td>
</tr>
<tr>
<td>Environmental</td>
<td>Small localised and reversible environmental impact with a recovery time up to 2 weeks: 1) Slight, short term damage to (use of) land and/or water quality, ecosystems, air quality and human health and safety. 2) No noticeable aquatic or terrestrial species reduction. 3) Minimum harm to community or environment services and no business disruption.</td>
<td>Contained and reversible (minimal) environmental impact with a recovery time up to 1 month: 1) Minor damage to (use of) land and/or water quality, ecosystems, air quality and human health and safety. 2) Minor aquatic or terrestrial species reduction. 3) Minor harm to community or environment services. 4) Minor business disruption.</td>
<td>Measurable damage(some) to the environment requiring significant corrective action with a recovery time 1-3 months : 1) Moderate damage to (use of) land and/or water quality, ecosystems, air quality and human health and safety. 2) Moderate aquatic or terrestrial species reduction. 3) Moderate harm to community or environment services. 4) Moderate business disruption.</td>
<td>Long term localised damage to the environment with a recovery time up to 6 months: 1) Major widespread damage to (use of) land and/or water quality, ecosystems, air quality and human health and safety. 2) Major aquatic or terrestrial species reduction. 3) Major harm to community or environment services. 4) Major business disruption.</td>
<td>Extensive irreversible damage (widespread) to the environment with a recovery time exceeding 6 months: 1) Extreme widespread damage to (use of) land and/or water quality, ecosystems, air quality and human health and safety. 2) Extreme aquatic or terrestrial species reduction. 3) Extreme harm to community or environment services. 4) Extreme business disruption.</td>
</tr>
<tr>
<td>Customer &amp; Community Experience</td>
<td>Insignificant interruption to service delivery but there is no impact on customer experience and quality of service.</td>
<td>Minor interruption to service delivery with minimal impact on customer experience and quality of service resulting in an increase in complaints from the community and/or reduction in customer experience.</td>
<td>Moderate interruption to service delivery with moderate impact on customer experience and quality of service, resulting in an increase in complaints from the community, reduction in customer experience and/or Assets is not useable/available or fit for purpose for 48 hrs.</td>
<td>Major interruption to service delivery with major impact on customer experience and quality of service, resulting in marked increase in complaints from the community, reduction in customer experience and/or Assets is not useable/available or fit for purpose for 7 – 14 days.</td>
<td>Extreme interruption to delivery of all or most services and/or Assets is not useable, available or fit for purpose for more than 14 days, resulting in significant increase in complaints from the community and/or reduction in customer experience.</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------------------------------</td>
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<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>Insignificant impact on staff engagement levels (less than 1% reduction in baseline engagement of 58%)</td>
<td>Minor impact on staff engagement levels (between 1%-2% reduction in baseline engagement of 58%),</td>
<td>Moderate impact on staff engagement levels (between 3%-6% reduction in baseline engagement of 58%),</td>
<td>Major impact on staff engagement levels (between 7%-11% reduction in baseline engagement of 58%),</td>
<td>Extreme impact on staff engagement levels (greater than 11% reduction in baseline engagement of 29%).</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Injury requires first aid treatment or pain and discomfort requiring intervention e.g. workstation assessment.</td>
<td>Injury or illness requires medical treatment or another registered practitioner.</td>
<td>Injury or illness results in lost time from work for one day/shift or more. Notice is issued by regulator or health and safety representative.</td>
<td>Injury of or illness results in 30 days lost time, or a permanent disability. Organisation breaches law resulting in prosecution and penalties.</td>
<td>Major injury/disability or death, considerable penalties and prosecutions.</td>
</tr>
<tr>
<td>Reputation</td>
<td>Insignificant reduction in trust and confidence. Rumours, no media or political attention.</td>
<td>Negative local media coverage. Elements of public expectation not being met. Adverse comment on local media (coverage 3 days +) Letters to CEO, complaints to Councillors etc.</td>
<td>Moderate reduction in trust and confidence by internal and external stakeholders Negative local or regional media coverage (coverage 1 week +)</td>
<td>Negative regional or nationwide media coverage (coverage 2 – 3 weeks) Public confidence in the organisation undermined.</td>
<td>Negative regional, nationwide or international media coverage (coverage for 4 weeks +) Auckland council use of resources questioned. Public calls (at national level) for specific remedial actions to be taken. Court action</td>
</tr>
<tr>
<td>Legal / Compliance/Contractual</td>
<td>Insignificant legal, regulatory and contractual compliance breach. No penalty or liability.</td>
<td>Minor legal, regulatory and contractual compliance breach resolved without penalty &amp; minor liability exposure.</td>
<td>Moderate repeated legal, regulatory and contractual compliance breach, resulting in a penalty and moderate liability exposure of ≥ $100k</td>
<td>Major legal, regulatory and contractual compliance breach, resulting in substantial penalty and a full review. Significant liability exposure of ≥ $500k</td>
<td>Extreme legal, regulatory and contractual compliance breach. Severe penalty and liability exposure of ≥ $1 Million</td>
</tr>
</tbody>
</table>
## Appendix F: Risk Assessment Matrix

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Incidents will occur frequently each year. Probability: Multiple times per year</th>
<th>Medium</th>
<th>Medium</th>
<th>High</th>
<th>Critical</th>
<th>Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Almost Certain</td>
<td>Incidents will almost certainly occur each year Probability: 1 per year</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>Critical</td>
</tr>
<tr>
<td>4. Likely</td>
<td>Incidents will possibly occur every 2 or 3 years Probability: 1 in 2 - 3 years</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>3. Possible</td>
<td>Incidents are unlikely; every 3 to 5 years Probability: 1 in 3-5 years</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>2. Unlikely</td>
<td>Incidents possible in exceptional circumstances Probability: 1 in 5+ plus years</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>1. Rare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk Assessment Matrix

<table>
<thead>
<tr>
<th>Impact Levels and Description</th>
<th>1 - Insignificant</th>
<th>2 - Minor</th>
<th>3 - Moderate</th>
<th>4 - Major</th>
<th>5 - Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Detailed impact descriptions are included in the Impact Table)</td>
<td>If the risk event occurs, there will be insignificant impact on council’s objectives and achievement of outcomes. Impact can be managed under normal operating conditions.</td>
<td>If the risk event occurs, there will be very minor impact on council’s objectives and achievement of outcomes. Impact can be managed under normal operating conditions.</td>
<td>If the risk event occurs, there will be a moderate impact on council’s objectives and achievement of outcomes. Management efforts required to minimise impacts with moderate additional resources.</td>
<td>If the risk event occurs, there will be a major impact on council’s objectives and achievement of outcomes. Senior management efforts required to manage consequences with additional resources.</td>
<td>If the risk event occurs, there will be an extreme negative impact on council’s objectives and achievement of outcomes. Senior management is required to make major adjustments to plans and/or resource allocations.</td>
</tr>
</tbody>
</table>
Auckland Council Top Risks Review
15 May 2020

Executive Leadership Team

Emma Mosely, Chief Risk Officer (acting)
## Auckland Council Risk Appetite Statement

<table>
<thead>
<tr>
<th>Category Group</th>
<th>Description</th>
<th>Risk Appetite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>Risk that relate to ethical obligations or fraudulent activities</td>
<td>No appetite</td>
</tr>
<tr>
<td>Health, Safety &amp; Wellbeing</td>
<td>Risks that will compromise the health, safety and wellbeing of, or cause harm to, our people including staff, customers and our community</td>
<td>No appetite</td>
</tr>
<tr>
<td>Financial</td>
<td>Risks that would adversely affect Council’s credit rating and long-term financial stability, or breach any funding policies</td>
<td>No appetite</td>
</tr>
<tr>
<td></td>
<td>Risk that financial decisions will impact on costs or revenue.</td>
<td>Medium</td>
</tr>
<tr>
<td>Reputational</td>
<td>Risks or conduct that would affect the trust and confidence of our customers and communities in the Council organisation</td>
<td>Low</td>
</tr>
<tr>
<td>Operational</td>
<td>Risks to delivery of services arising from our decision making structures and processes</td>
<td>Low</td>
</tr>
<tr>
<td>IT System and Service</td>
<td>Risks that will impact our technological capacity to deliver our services.</td>
<td>Low</td>
</tr>
<tr>
<td>Information Security and Cyber Risk</td>
<td>Risks that will impact our Council’s and customers confidential information</td>
<td>Low</td>
</tr>
<tr>
<td>Environmental</td>
<td>Risks that would affect Auckland’s environment and sustainability objectives.</td>
<td>Low</td>
</tr>
<tr>
<td>Project/Programme</td>
<td>Risks relating to the non-delivery of projects and commitments.</td>
<td>Medium</td>
</tr>
<tr>
<td>Business Disruption</td>
<td>Risks that council’s essential operations and processes are disrupted.</td>
<td>Low</td>
</tr>
<tr>
<td>People</td>
<td>Risk that will affect staff performance and engagement.</td>
<td>Medium</td>
</tr>
<tr>
<td>Regulatory and Legal Compliance</td>
<td>Risks associated with our legal obligations including our regulatory activities.</td>
<td>Medium</td>
</tr>
<tr>
<td>Third party /Interdependencies</td>
<td>Risk that involve partnerships and relationships with third parties to deliver strategic outcomes</td>
<td>Medium</td>
</tr>
<tr>
<td>Strategic</td>
<td>Risk of Council strategies and plans are inconsistent or ineffectively delivered.</td>
<td>Medium</td>
</tr>
</tbody>
</table>
## Description of High, Medium and Low

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
</table>
| High | Council is willing to accept a high risk to pursue a strategic opportunity that will result in a high level of return or benefit to the community, or where it is necessary due to statutory requirements.  
  If Council expects that:  
  - Council’s viability, reputation and services **may be affected in a major** way should the risk eventuate, but control measures to mitigate the likelihood and consequence of the risk are in place and are actively monitored |
| Medium | If Council expects that:  
  - Council’s viability, reputation and services **may be affected in a Medium** way should the risk eventuate, but control measures to mitigate the likelihood and consequence of the risk are in place and are actively monitored |
| Low | If Council expects that:  
  - Council’s viability, reputation and services **will only be affected in a minor** way should the risk eventuate, and control measures to mitigate the likelihood and consequence of the risk are in place. |
| No Appetite | Council is not willing to accept risks that may result in financial loss, injury, legal non-compliance and fraud. |
## Top Risks (Summary of Changes 15 May 2020)

<table>
<thead>
<tr>
<th>Top Risk</th>
<th>Risk Title</th>
<th>Risk Owner</th>
<th>Residual Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health, Safety &amp; Wellbeing</td>
<td>Director People &amp; Performance</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Cyber Security</td>
<td>Chief Financial Officer</td>
<td>High</td>
</tr>
<tr>
<td>3</td>
<td>Climate Change - Adaptation &amp; Mitigation</td>
<td>Chief of Strategy; Director Infrastructure &amp; Environmental Services</td>
<td>High</td>
</tr>
<tr>
<td>4</td>
<td>Crown Reforms - Housing &amp; Urban Growth</td>
<td>Director Growth &amp; Housing; Director Regulatory Services; Chief of Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>5</td>
<td>Fit for Purpose Community Assets</td>
<td>Director Customer &amp; Community Services</td>
<td>Medium</td>
</tr>
<tr>
<td>6</td>
<td>Significant Internal &amp; External Disruptions</td>
<td>Director Customer &amp; Community Services</td>
<td>High</td>
</tr>
<tr>
<td>7</td>
<td>Service Delivery</td>
<td>Director Customer &amp; Community Services</td>
<td>High (inc at this time - COVID)</td>
</tr>
<tr>
<td>8</td>
<td>Water (Small Waters, Wastewater &amp; Stormwater Management)</td>
<td>Director Infrastructure &amp; Environmental Services</td>
<td>High</td>
</tr>
<tr>
<td>9</td>
<td>Programme &amp; Project Management</td>
<td>Director Customer &amp; Community Services</td>
<td>Medium</td>
</tr>
<tr>
<td>10</td>
<td>Consent Processing</td>
<td>Director Regulatory Services</td>
<td>High</td>
</tr>
<tr>
<td>11</td>
<td>Fraud, Waste &amp; Error</td>
<td>Governance Director</td>
<td>High</td>
</tr>
<tr>
<td>12</td>
<td>Financial Management (new)</td>
<td>Chief Financial Officer</td>
<td>To be determined</td>
</tr>
<tr>
<td>13</td>
<td>Recovery (new)</td>
<td>Director Governance &amp; Group Recovery Manager COVID 19</td>
<td>To be determined</td>
</tr>
<tr>
<td>14</td>
<td>Māori Outcomes (new)</td>
<td>GM Māori Outcomes &amp; Relationships</td>
<td>To be determined</td>
</tr>
</tbody>
</table>
Attachment B

Item 9

DRAFT 15 May - further analysis and evaluation ongoing

Entreprise Risk COVID-19 Update

Page 61
Risk Driver: Proposed Top Risk 13

Recovery risk

Risk owner: Phil Wilson, Director Governance & Group Recovery Manager COVID 19

Risk Event:
- Failure to have a clear and co-ordinated Council Strategy on recovery and reinvention and be able to execute on this to meet our emergency budget/Auckland Plan objectives - the new norm.

Risk Drivers:
- External:
  - Central and local government strategy and execution not aligned.
  - Short-term objectives and political agendas and funding prioritised over long-term programme objectives.
  - Increasing COVID cases/additional Risk event (drought).
  - Lack of clarity & (bureaucratic) inefficiencies
- People:
  - Lack of good relationships, collaboration, communication, leadership
  - Misallocation of resources due to short term pressure
  - Insufficient funding to meet delivery expectations.
  - Lack of balancing AC & AEM resource allocation
  - Staff health, wellbeing, low morale and engagement
- Process:
  - Governance, roles and responsibilities and execution – misalignment and inefficiencies between AEM & AC.
  - Lack of internal co-ordination & communication across teams (top down and bottom up).
  - Council’s operating model not fit for purpose

Controls:

Impacts:
- Reputational, Financial & Legal impacts
- The identified risks may result in failure
to deliver on the LTP;
- Delay in meeting objectives particularly
vulnerable communities including Maori
- Delay in achieving objectives agreed to
adapt and mitigate climate change
impacts on Auckland.
- Delay on digital strategy that can scale
services for Aucklanders.
- Long term macro economic impact on
business, populations, real estate
prices, Airport shares etc.

DRAFT 15 May - further analysis and evaluation ongoing
Proposed top risk 14
Māori Outcomes
Risk Owner: Tania Winslade, GM Māori Outcomes and Relationships

Risk Drivers / Causes
External:
- Insufficient funding
- Legislative obligations
- IMSB relationships

Process:
- Lack of or inadequate defined success measures or performance indicators
- Ineffective performance monitoring
- Misalignment between local boards and council.
- Local Board member plans on Māori commitments are not delivered or are delayed

People:
- Lack of or inadequate accountability;
- Low performing culture where staff often choose to ‘opt-out’ rather than ‘opt-in’ to using systems, consistently applying policies and demonstrating expected behaviours.

Impacts
The identified risks may result in failure to:
- Social inequality
- Breach of statutory obligations
- Heightened political risks
- Deteriorating relationship between Mana Whenua, IMSB and Mataawaka
- Loss of trust and confidence in Auckland Council
- Reputational damage.

Risk Event
Failure or inability to meet responsibilities to Māori

Pre-event Controls
Post-event Controls

DRAFT 15 May - further analysis and evaluation ongoing
Residual Risk Heat Map as at May 2020

1. Health, Safety & Wellbeing
2. Cyber Security
3. Climate Change Adaptation & Mitigation
4. Crown Reform Urban growth and housing
5. Fit for Purpose Community Assets
6. Significant Internal and External Disruptions
7. Service Delivery (increased due to COVID at this time)
8. Water (Small Waters, Waste Systems and Stormwater Management)
9. Programme and Project Management
10. Consent Processing
11. Fraud, Waste and Error
## Top Risk 1 – Health, Safety & Wellbeing

### Risk Description

External or internal events may have a material impact on the health and safety or wellbeing of staff, contractors (including volunteers) and the public.

**Risk Owner:**
- Director People and Performance

**Key Risk Driver(s):**
- Process – Inadequate design and/or implementation of the H&S policy and procedures.
- System – Risk Manager not fit for purpose.
- External – Disease outbreak or pandemic, extreme weather or natural catastrophe (tsunami, drought etc.)

**Impacted:**
- Health, safety and wellbeing of people
- Reputation

### Control gaps and mitigation comments

Residual Risk Rating Rationale:
See detailed controls in the Top Enterprise Risk Register.
- Design and implementation needs to be enhanced to corporate standards
- Auditing framework for assurance to be developed
- ELT due diligence gaps, top down approach
- Inconsistency of risk reporting across the organisation
- Ineffective critical risk monitoring
- Effectiveness of Risk Manager System under review (HS&W recording and monitoring of risks)
- Lower percentage of HS&W training accreditation among people leaders & Emergency wardens
- Design, implementation and testing gaps in Business continuity plan, Crisis management plan

**Control gaps and corrective actions agreed:**
- HS&W Design and implementation framework will be reviewed, ensuring it integrates consistent application processes, procedures, policies of health and safety risk identification and assessment methods across the organisation (Action
- Training, design framework and Volunteer standard expected to be rolled out and completed by July 2019
- Auditing framework for assurance to be developed
- ELT Due diligence process to be reviewed and gaps to be reported
- H&S team are performing an assessment on critical risks as a pre-work to ensure the right level of risks are monitored, reported and documented in the risk register
- Improving and adopting a risk reporting & methodology that is consistent across council.
- Undertaking a review of the Risk Manager system
- Training accreditation process being reviewing
- Business continuity plan & Crisis management plan to be reviewed and approved
- Business continuity plan & Crisis management plan to be tested and documented

### COVID-19 Impact and Response:
- Residual risk remains high with a possible likelihood of COVID-19 transmission within and outside the organisation, however actions taken by People Leaders, Head of HS&W and the ELT has controlled the impact and likelihood.
# Top Risk 2 – Cyber Security

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
<th>Status</th>
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</thead>
</table>
| Cyber security risk is the probability of exposure or loss resulting from a cyber attack or data breach on Council Group. | ![Red|Yellow|Green] | ![Red|Yellow|Green] | ![Red|Yellow|Green] | Residual Risk Rating Rationale:  
> See detailed controls in the Top Enterprise Risk Register.  
> - Staff training needs to be enhanced to keep up with emerging cyber risk landscape.  
> - Cybersecurity system investment required for greater rigour in identification, mitigation and management of changing cyber security threats.  
> - Consistency of approach and cybersecurity for Council family required.  
Control gaps and corrective actions agreed:  
> Training - Cyber Security and Phishing awareness and training mechanisms in place. Identified issue is that training is not currently mandatory. There is increased comms and monitoring in COVID-19 environment.  
> System - Multicloud project to complete delivery so backups are in place to allow for recovery of data in the event of data loss or a successful ransomware attack. Financial support required for increased OpEx and CapEx for approved programmes, Implement 2 Factor Authentication while accessing corporate wi-fi (project approved, Delivery date TBA - slippage risks due to COVID priorities). Replace outdated software in the environment.  
> Strategy - Creation of a council family Security Operations Centre to centralise security mechanisms and initiatives. (Director, ICT, Due Date: 09/20)  
COVID-19 Impact and Response:  
> The risk of cyber attacks has increased in the COVID-19 environment, increasing the likelihood.  
> Additional measures are being implemented around communication and monitoring. | ![Gray] | ![Gray] | ![Gray] | ![Gray] | ![Gray] | ![Gray] |
Top Risk 3 – Climate Change Adaptation & Mitigation

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a risk that adaptation and mitigation actions (reducing emissions) to climate change may not be adequate to respond, absorb and/or reduce impacts of climate change, including severe weather events.</td>
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<td></td>
<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
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<tr>
<td>Risk Owner:</td>
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<td></td>
<td>• <strong>Approach:</strong> Lack of a coordinated approach to climate change across the Council group and inconsistent messaging to key stakeholders. Inconsistent approach for addressing claims or assessing potential liability in cases of coastal erosion.</td>
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<tr>
<td>• Chief of Strategy</td>
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<td>• <strong>Monitoring:</strong> Gaps in understanding, monitoring and reporting for key climate change initiatives and deliverables. Inconsistent data available for council group and public.</td>
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<tr>
<td>• Director Infrastructure &amp; Environmental Services</td>
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<td></td>
<td>• <strong>People:</strong> Further upskilling of staff required to improve risk-based decision making for climate change issues.</td>
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<tr>
<td>Key Risk Driver(s)</td>
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<td><strong>Control gaps and corrective actions agreed:</strong></td>
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<tr>
<td>• People – Lack or inadequate leadership &amp; collaboration.</td>
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<td>• <strong>Strategy:</strong> Establish a coordinated approach to climate change across the Council Group by using Te Tāruketanga Tāwhiri: Auckland’s Climate Plan. (The plan aims to reduce greenhouse gas emissions; and ensure Auckland is prepared for the impacts of climate change.) and have this integrated within the LTP. Develop a communications strategy on climate change. Develop a policy to address liability due to adverse weather events.</td>
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<tr>
<td>• Process – Complex processes, design and dependencies.</td>
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<td>• <strong>Process and system enhancements:</strong> Regularly review and improve using evidence-based research, monitoring and reporting for key climate change initiatives and deliverables. Improve integrity, availability and consistency of data within the council group and public.</td>
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<tr>
<td>• Systems – Lack of robust systems and accessible data.</td>
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<td>• <strong>Training:</strong> Upskill and build staff capability with training and development on climate change risk.</td>
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<td>• External – Increasing changes of extreme global weather patterns.</td>
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<td><strong>COVID-19 Impact and Response:</strong></td>
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<td>Impacted:</td>
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<td></td>
<td>• Changing financial reprioritisation &amp; legislative drivers due to COVID-19 – challenges to meet agreed targets</td>
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<tr>
<td>• Environmental</td>
<td></td>
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<td>• Leverage the opportunities of the recovery phase</td>
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<tr>
<td>• Customer &amp; Community</td>
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<tr>
<td>• Health, Safety &amp; Wellbeing</td>
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<tr>
<td>• Reputation</td>
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<tr>
<td>• Financial</td>
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<tr>
<td>• Operational</td>
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<tr>
<td>• Business Interruption</td>
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</tbody>
</table>
### Attachment B

**Top Risk 4 – Crown Reforms (Housing & Urban Growth)**

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<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
</tr>
</thead>
</table>
| Misalignment between the council and central government objectives for housing and urban growth caused by legislative reforms. | IN | R | | **Residual Risk Rating Rationale:**  
See detailed controls in the Top Enterprise Risk Register.  
- Government not slowing down with the legislative reform programme but is accelerating to respond to the COVID impacts and recovery strategy.  
- Announcements over shovel ready bids and the Urban Development Bill anticipated. Council has submitted on the Bill currently before Parliament.  
- While the relationship is currently working well, the Council/Crown relationship is even more important at this time. Communications strategy in place.  
- For housing, infrastructure funding is the main issue and will become even more so. We expect Crown investment to be directed towards infrastructure that directly supports/enables housing and urban growth.  
- The overall residual risk is considered to be adequately controlled at this time. |
| **Risk Owner:** Chief of Strategy  
**Key Risk Driver(s):**  
- **People** – Additional demand or competition for resources and/or capability of staff from new Crown agency.  
- **Process** – Lack of good relationships and proactive collaboration and communication between Crown and Council. Insufficient funding to meet delivery expectations. Short-term objectives and political agendas prioritised over agreed joint programme objectives.  
- **External** – Crown growth agenda and legislative reforms not aligned to council objectives and development sequencing. Demand for housing and infrastructure delivery pressures on council from central government. | | | |
| **Impacted:**  
- Failure to deliver on housing and urban growth outcomes in the Auckland Plan.  
- Failure to anticipate and implement plans for the delivery of the regulatory and service functions  
- Council not ready and resourced for reforms | | | |

**COVID-19 Impact and Response:**  
- COVID-19 has resulted in significant financial impact and uncertainty.  
- Regulatory and operations teams are maintaining services and work on the programme has continued during lockdown.  
- COVID is providing new opportunities to progress objectives and outcomes (e.g. shovel ready projects)  
- Disruption to workforce and a significant increase in pace of reforms increases the risk of competition for staff with government agencies.
## Top Risk 5 – Fit for Purpose Community Assets

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
<th>Status</th>
</tr>
</thead>
</table>
| Failure to effectively manage and protect council owned assets so they are fit for purpose to deliver the required levels of service and meet growth demand. | ✔️ | ⬜️ | ⬜️ | Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.  
- The roles and responsibilities for managing community assets requires clarification and simplification to improve decision-making and optimise cost, risk management and performance across asset lifecycles.  
- Clearer roles and responsibilities for asset management and planning are required to support effective coordination, communication, collaboration and greater integration of decisions, processes and risk management (incl integrated program approach).  
- Newly vested assets from developers require attention to ensure sufficient strategic planning, budgeting and risk assessment before council accepts the asset  
- Process improvements are needed to ensure assets transferred within the council group are fit for purpose and to avoid unforeseen unbudgeted renewal and maintenance spend  
- Reinstatement of Seismic Management Policy  
- Strategic programs of work to enhance asset management practices across council including Value for Money (VfM) Program, WorkSmart@AC, ARAP etc.  |
| **Risk Owner:** Director Customer & Community Services | ✔️ | ⬜️ | ⬜️ | Control gaps and corrective actions agreed:  
- Develop action plan for improvements to way of working and map key processes and identify and decide what where it can be simplified or clarified.  
- Establish processes to enable timely and effective communication with third party developers before an asset is vested.  
- Develop an effective process to ensure assets are fit for purpose, ongoing maintenance and costs and obligations on council are accounted for and that the provision of the asset is in line with the strategic and policy outcomes.  
- Process improvements are needed to ensure assets transferred within the council group are fit for purpose and to avoid unforeseen unbudgeted renewal and maintenance spend.  
- Seismic Management Policy to be finalised in-house  
- Creation of the Asset Risk Assessment Program and associated steering group from across council  
- Re-organisation of community facilities department including the asset management intelligence function | ✔️
| **Key Risk Driver(s)** | ✔️ | ⬜️ | ⬜️ |  |
| People | ✔️ | ⬜️ | ⬜️ |  |
| - Inconsistent and poor coordination of significant asset risks across council including asbestos, mould, seismic, durability, weather tightness, geotechnical and natural hazard risk  
- Lack of aligned service need strategy and asset management strategy, plan or policy for reinvestment or divestment opportunities  
- Incomplete, inaccurate and delayed asset information and data | ✔️ | ⬜️ | ⬜️ |  |
| Systems | ✔️ | ⬜️ | ⬜️ |  |
| - Lack of standardised processes and systems  
- Lack of ability to manage the asset utilisation, criticality, maintenance and performance | ✔️ | ⬜️ | ⬜️ |  |
| External | ✔️ | ⬜️ | ⬜️ |  |
| - Existing residual risks that cannot be removed (e.g. closed landfills)  
- Funding shortfalls | ✔️ | ⬜️ | ⬜️ |  |
| **Impact:** | ✔️ | ⬜️ | ⬜️ |  |
| - Inability to deliver environmental and economic outcomes sought in Auckland Plan and by Aucklanders;  
- Health, safety and wellbeing;  
- Financial loss (e.g. loss of investment and unbudgeted costs);  
- Reputational damage;  
- Loss of trust and confidence | ✔️ | ⬜️ | ⬜️ |  |

### COVID-19 Impact and Response:
- COVID-19 disrupted all of council’s community and customer services facilities and operations  
- Challenges may arise for community and customer service operations as the COVID-19 Alert Levels increase or decrease  
- A large number of CCS personnel have been redeployed to support Auckland Emergency Management  
- Reorganisation of workstreams underway  
- The health, safety and wellbeing of our people and communities have been paramount during COVID-19 and the organisation has responded effectively.
## Top Risk 6 – Business Disruption

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of a significant disruption (internal and/or external) to Auckland Council’s operations.</td>
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<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
</tr>
<tr>
<td><strong>Risk Owner:</strong> Director Customer &amp; Community Services</td>
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<td></td>
<td></td>
<td>• Gaps identified in the design and testing of business continuity and crisis management frameworks;</td>
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<tr>
<td><strong>Key Risk Driver(s):</strong> People</td>
<td></td>
<td></td>
<td></td>
<td>• Inconsistent business continuity and contingency planning across the organisation;</td>
</tr>
<tr>
<td>• Insufficient resources or capability</td>
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<td>• Inadequate business impact analysis conducted;</td>
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<tr>
<td>• Inconsistent application of practices and expected behaviours.</td>
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<td></td>
<td>• Concurrent responsibilities exist and held solely by Auckland Emergency Management for both business continuity and crisis management (internal) as well as regional civil defence management (external);</td>
</tr>
<tr>
<td>• Poor understanding of civil defence obligations.</td>
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<td></td>
<td>• Governance, reporting, escalation and assurance processes in relation to business continuity for Auckland Council needs to be implemented.</td>
</tr>
<tr>
<td><strong>Process:</strong> Ineffective design and implementation of frameworks (business continuity, crisis management, disaster recovery);</td>
<td></td>
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<td></td>
<td>Control gaps and corrective actions:</td>
</tr>
<tr>
<td><strong>Systems:</strong> Inadequate risk and BCP systems or technology, applications;</td>
<td></td>
<td></td>
<td>• Clarify responsibility/accountability and ensure fit for purpose org structure - AEM, CDEM, enterprise business continuity.</td>
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<tr>
<td>• Lack of internal emergency crisis notification ability – eg all staff urgent alert system</td>
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<td></td>
<td>• Complete post event review to capture learnings from COVID pandemic response and Sky City Convention Centre fire 2019.</td>
<td></td>
</tr>
<tr>
<td>• Loss of building(s) and inadequate back up facilities.</td>
<td></td>
<td></td>
<td>• Establish assurance programme (documentation, monitoring, auditing, reporting) to improve risk management, visibility and oversight, accountability, collaboration and commitment to corporate resilience.</td>
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<tr>
<td><strong>External:</strong> Emergencies such as a natural catastrophes, technology and/or commun failure, pandemic, power failure or cyber attack;</td>
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<td></td>
<td>COVID-19 Impact and Response:</td>
</tr>
<tr>
<td>• third party or supply chain issues;</td>
<td></td>
<td></td>
<td>• COVID-19 has resulted in the significant disruption to Auckland Council’s operations and services</td>
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<tr>
<td>• interdependency failure/s;</td>
<td></td>
<td></td>
<td>• Significant learnings across both internal and external response activities and activations</td>
<td></td>
</tr>
<tr>
<td>• Legislative obligations - complex roles and relationships multi parties</td>
<td></td>
<td></td>
<td>• Risks and issues being adequately managed through coordinated and dedicated support from ERM and HSW teams</td>
<td></td>
</tr>
</tbody>
</table>

**Impacted:**
- Operational;
- Legal/contractual;
- Financial;
- Health, Safety and wellbeing
- Loss of trust and confidence in Auckland Council;
- Reputational damage.
### Top Risk 7 – Service Delivery

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council may be unable to maintain and deliver services and/or meet service performance targets (including those delivered on its behalf through third parties or arms-length entities).</td>
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<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
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<td></td>
<td>• Implemented Service Strategy, supported by Community Facilities Network Plan</td>
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<td>• Community empowerment model embedded within ACE</td>
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<td>• Service Performance Targets are part of the LTP</td>
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<td>• Procurement and Purchasing Policies and Framework</td>
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<td></td>
<td>• Proactive training and awareness</td>
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<td></td>
<td></td>
<td>• Critical services and prioritisation of business units and teams list</td>
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<td></td>
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<td></td>
<td>• Business Continuity planning integrated into contracts</td>
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<td></td>
<td></td>
<td></td>
<td>• Robust insurance requirements integrated into contracts</td>
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<tr>
<td><strong>Key Risk Driver(s)</strong></td>
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<td></td>
<td>Control gaps and corrective actions agreed:</td>
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</tr>
<tr>
<td>• People – Alignment between expectations and budget, resourcing, inadequate communications with customers, poor vendor selection and contract management</td>
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<td></td>
<td>• Contractor Performance Framework</td>
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<tr>
<td>• Process – New ways of working, poor financial controls, maintenance of essential services and performance levels in an evolving situation</td>
<td></td>
<td></td>
<td></td>
<td>• Robust cyber security and ICT requirements to be embedded within contracts</td>
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<tr>
<td>• External – lower than expected ratepayer growth, competing demands for services</td>
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<td><strong>Impacted:</strong></td>
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<td></td>
<td>COVID-19 Impact and Response:</td>
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<tr>
<td>• Adverse impacts on communities</td>
<td></td>
<td></td>
<td></td>
<td>• Auckland Council’s service delivery standards have been impacted by COVID-19 and associated lockdown/s</td>
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<tr>
<td>• Financial loss</td>
<td></td>
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<td>• Increased financial pressure across the organisation and our third party business partners</td>
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<tr>
<td>• Service levels and ability to deliver for Auckland</td>
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<td>• Resourcing and capability impacts across staff</td>
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<tr>
<td>• Reputational damage</td>
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<td>• Ongoing re-prioritisation of work programmes and workstreams to maintain essential services</td>
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<tr>
<td>• Loss of trust and confidence</td>
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## Top Risk 8 – Water

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<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Water quality and supply risks for Council including the quality, wastewater management, capacity and management of stormwater and waste water assets in regional and local parks.</td>
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</table>

**Risk Owner:**
- Director Infrastructure & Environmental Services

**Key Risk Driver(s):**
- **People** – High turnover of competent staff
- **Systems** – Inadequate and non-integrated data, asset understanding and management, inadequate technology upgrades
- **External** – Drought, climate change, population change, changes to land use and unknown private devices and connections

**Impacted:**
- Health, safety and wellbeing
- Reputational damage
- Financial
- Statutory compliance
- Environmental

### Control gaps and mitigation comments

**Residual Risk Rating Rationale:**
See detailed controls in the Top Enterprise Risk Register.
- Monitoring / evaluating framework being developed
- Ongoing review of plans and effectiveness
- Ongoing review of and identifying of additional sites without treatment equipment
- Stream improvements by Healthy Waters (planting and reinstating)
- Central Interceptor / Western Isthmus Water Quality Improvement Programme
- SafeSwim Programme covering beaches and some streams
- Water Safety Plans improvement schedule
- Catchment Management Plans for developers
- Natural Environment Strategy team established
- Public education and signage
- Emergency action plan for identified sites with inadequate treatment

**Control gaps and corrective actions agreed:**
- Develop Comprehensive Auckland Water Strategy
- Central Interceptor / Western Isthmus Water Quality Improvement Programme

### COVID-19 Impact and Response:
- Compounded resource and impact challenges with COVID-19 and drought emergency states declared
- Heightened financial risk – potential decrease in budgets could lead to competing demands and pressures on resources
- Re-prioritisation of work programmes and streams to identify and continue essential services
## Top Risk 9 – Programme and Project Delivery

<table>
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<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Programme and Project Delivery - project management, including the management of interdependencies and risks is inadequate.</td>
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<tr>
<td><strong>Risk Owner:</strong> Chief Financial Officer</td>
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<tr>
<td><strong>Key Risk Driver(s)</strong></td>
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<tr>
<td>• People – Training/ awareness. Flexible working challenges</td>
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<tr>
<td>• Process – Cost constraints to training and to improve complex and standalone systems without proper integration with processes</td>
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<tr>
<td>• System – Standalone and not integrated with process</td>
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<tr>
<td>• External – Reprioritisation due to COVID environment leading to non delivery</td>
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<td><strong>Impacted:</strong></td>
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<tr>
<td>• budget and scope overruns</td>
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<td>• project delays</td>
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<tr>
<td>• substandard construction</td>
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<tr>
<td>• workstreams not leveraging off each other to drive decision making and optimise efficiencies</td>
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<tr>
<td>• adverse environmental impacts</td>
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<tr>
<td>• financial loss (including return on investment / benefit realisation not met)</td>
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<tr>
<td>• reputation damage</td>
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<tr>
<td>• Inability to meet LTP project deliverables</td>
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</table>

**Residual Risk Rating Rationale:**
See detailed controls in the Top Enterprise Risk Register.

- Staff training investment needs to continue for project management understanding.
- Regular post performance reviews and reporting across the enterprise.
  (Control owner: GM, Financial Transformation)
- Project risk framework development including management oversight, risk tolerances and escalation.

**Control gaps and corrective actions agreed:**

- **Training:** Investment Delivery Framework - embedding programme including training around project management framework.
- **System:** Communication and monitoring of the use of the Sentient system.
  Enhance reporting and need for consequence management
- **Framework:** Project Risk Framework based on Charter being developed for rollout.

**COVID-19 Impact and Response:**

- Reprioritisation of programmes and projects across council
- Significant financial implications – cost blow outs
- Health, Safety and Wellbeing of project and program staff
- Disruption and project/programme continuity
### Top Risk 10 – Consent Processing

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of Inconsistent, delayed, unauthorised or inadequate consenting processes</td>
<td></td>
<td></td>
<td></td>
<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
</tr>
<tr>
<td><strong>Risk Owner:</strong> Director Regulatory Services</td>
<td></td>
<td></td>
<td></td>
<td>• Complex Building consenting process</td>
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<tr>
<td><strong>Key Risk Driver(s) Process</strong></td>
<td></td>
<td></td>
<td></td>
<td>• Skilled resource planning, training and recruitment gaps</td>
</tr>
<tr>
<td>• Regional consistency implementing Building Consenting Authority Policies &amp; Procedures</td>
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<td></td>
<td>• Unable to demonstrate absolute compliance with Statutory Clock</td>
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<tr>
<td><strong>People</strong></td>
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<td></td>
<td>• Sole dependency on SAP without the best ability to utilise “best of breed” SAP compatible proprietary system</td>
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<tr>
<td>• High turnover of competent staff, work overload</td>
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<td></td>
<td>• Lack of robust quality assurance systems in many parts of the design and construction industry</td>
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<tr>
<td><strong>System</strong></td>
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<td></td>
<td>• Sub-optimal internal quality assurance systems to enhance effective outcomes for the organization and the customer</td>
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<tr>
<td>• (SAP, New Core and Hybris) not fit for purpose</td>
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<td>• Territorial Authorities are disproportionately liable for remediation costs associated with non-performing building work</td>
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<tr>
<td><strong>External</strong></td>
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<td></td>
<td>Control gaps and corrective actions agreed:</td>
</tr>
<tr>
<td>• Third party dependency/poor quality applications/ disconnected external stakeholder relationships (lack of focus on outcomes)</td>
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<td></td>
<td>• Excellence Programme being progressed by the Operations and Optimisation department to create a more agile and customer centric regulatory service delivery</td>
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<tr>
<td>• Increase in demand &amp; complexity of projects/policy &amp; Reg changes etc</td>
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<td></td>
<td>• Working with the Finance team &amp; P&amp;P to enhance existing workforce management to better predict future competency and capacity requirements</td>
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<tr>
<td>• Construction contracts that drive challenging relationships and inefficient processes</td>
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<td></td>
<td>• Develop a Code of Practice for Processing Officers for training and consistency</td>
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<td><strong>Impacted:</strong></td>
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<td></td>
<td>• Work with O&amp;O department to investigate the option of interfacing existing web-based design/consenting application with SAP to deliver a more efficient customer centric consenting/certification service</td>
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<tr>
<td>• Poor Customer Experience</td>
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<td>• Collaborate and educate the design and construction industry on the need and requirement to develop/enhance their quality assurance system</td>
</tr>
<tr>
<td>• Financial - loss of license as a building consent authority, hinderance to economic development</td>
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<td></td>
<td>• Work with new Operations and Optimisation [O&amp;O] department to develop a more tailored internal quality assurances system to meet business needs</td>
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<tr>
<td>• Reputational Damage</td>
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<td>COVID-19 Impact and Response:</td>
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<tr>
<td>• Environmental – building stock does not perform. Cost to community, claims impacting ratepayer and loss of developer confidence in building in Auckland</td>
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<td>• Physical Inspections slowed due to Alert Levels 4 and 3, building inspections now taking place remotely, alongside some physical inspections</td>
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<td>• Building, engineering and resource consents and applications are also being processed and issued electronically</td>
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</table>
## Top Risk 11 – Fraud, Waste and Error

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Control gaps and mitigation comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal or external fraud, corruption or other unethical behaviour perpetrated within or against Council that could lead to financial loss, reputational damage, and/or operational risk to council.</td>
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<td></td>
<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
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<tr>
<td><strong>Risk Owner:</strong> Governance Director</td>
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<td></td>
<td>• Fraud risk mitigation is embedded in the organisation culture;</td>
</tr>
<tr>
<td><strong>Key Risk Driver(s)</strong></td>
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<td></td>
<td>• Integrated and coordinated process for sharing of critical and relevant information between internal Audit and Risk departments;</td>
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<tr>
<td><strong>People</strong></td>
<td></td>
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<td></td>
<td>• Anti-money laundering framework and process;</td>
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<tr>
<td>• Poor culture, emotionally and financially stressed staff, training and awareness</td>
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<td>• Quality Assurance Framework for continuous monitoring;</td>
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<td><strong>Process</strong></td>
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<td>• Proactive training and awareness.</td>
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<td>• Breakdown of internal controls, inadequate channels to speak up</td>
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<td>• Annual Conflict of Interest Declarations</td>
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<td><strong>System</strong></td>
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<td>• Public publishing of Gift Register</td>
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<td>• Online and remote working controls and oversight, user management access controls</td>
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<td>• Assurance Strategy and work program</td>
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<td><strong>External</strong></td>
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<td>• 0800 integrity line – speak up framework – Our Charter - group wide (CCOs)</td>
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<td>• Collusion between staff and suppliers</td>
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<td>• Elected members - Advice and sensitive investigations, incl code of conduct, conflict of interests, complaints and investigations</td>
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<td><strong>Impacted:</strong></td>
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<td>• Probaty advice and decision-making process support: procurements and projects</td>
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<tr>
<td>• Breach of statutory and regulatory requirements.</td>
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<td><strong>Control gaps and corrective actions agreed:</strong></td>
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<tr>
<td>• Legal liability</td>
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<td>• <strong>Embed Speak Up</strong> – Establish and embed framework and council group processes, raise awareness and improve experience - improve cross speak up channel coordination and collaboration</td>
</tr>
<tr>
<td>• Loss of ability of Council to perform its functions and duties</td>
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<td><strong>COVID-19 Impact and Response:</strong></td>
</tr>
<tr>
<td>• Independence of Council and its staff called into question</td>
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<td>• Heightened risk of fraud due to change in working remotely and increasing external attacks – cyber</td>
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<tr>
<td>• Loss of trust and confidence in Auckland Council</td>
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<td>• Refocused assurance audits and data analytic checks on internal controls for security, access, financial spend</td>
</tr>
</tbody>
</table>
Ngā mihi nui ki a koe
Thank you from the Risk Team
Proposed Top Risk 12
Financial Management
Risk Owner: Kevin Ramsay Chief Financial Officer

Risk Drivers / Causes
External: External political pressure, market volatility, credit-related, borrowing ability, asset and funding liquidity, Auckland drought conditions, economic downturn, legislative environment changes.

Process: Loss of operating revenue from:
- Modelling and assumptions
- Community facility closures (public libraries, community halls, swimming pools, stadiums, etc.)
- Development contributions, financial contributions, and consenting fees
- Willingness and ability to pay rates and other charges
- Loss of dividends and investment income

People: Fraud, Error

Risk Event
- Inability to prudently manage Council’s financial obligations

Pre-event Controls

Post-event Controls

Impacts
The identified risks may result in failure to:
- Deliver key initiatives
- Increase trust and confidence
- Maintain financial stability & sustainability

DRAFT 15 May - further analysis and evaluation ongoing
<table>
<thead>
<tr>
<th>Pre event controls - DRAFT 15 May - further analysis and evaluation ongoing</th>
<th>Risk event</th>
<th>Post event controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular review of revenue and cost management (spend reprioritisation) Service reprioritisation.</td>
<td>COVID-19 Financial management risk</td>
<td>Review core AC offering</td>
</tr>
<tr>
<td>Monitor, report and work closely with key stakeholders/ supply chain. Audit &amp; Risk Committee oversight of annual budget preparation.</td>
<td></td>
<td>Continue to realign operating model and strategy for AC Group</td>
</tr>
<tr>
<td>Central Government &amp; Reserve Bank support</td>
<td></td>
<td>Diversify offerings and customer base (overseas investment?)</td>
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<tr>
<td>Additional disclosures in financial reports. Increased engagement with rating agencies. Cash holdings increased.</td>
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<tr>
<td>Financial scenario analysis for planning with updated economic forecasts</td>
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<tr>
<td>ARC chair oversight of emergency budget process and member of disclosure committee</td>
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<tr>
<td>Continual monitoring latest external information and responding accordingly, spreading the workload, clear strategy for political engagement, regular team check-ins</td>
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<tr>
<td>Procurement - Additional monitoring for compliance, fraud, Assurance monitoring and oversight, Ariba system controls, proactive supply chain management. Proactively, review and renew relevant Essential contracts with 30/60/90 day contract expiry, Identify low impact workaround or alternative Supplier with Contract Manager in the event of primary Supplier failure Issue suspension letters as necessary</td>
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</tr>
<tr>
<td>Treasury - Evidence based reporting to ARC &amp; F&amp;P to support assurances to Audit NZ and OAG. Fortnightly oversight by the Annual Report approach committee including RT &amp; JB. Regular comms with rating agencies. Holding excess cash, available standby facilities, keeping banks &amp; investors fully informed, monitor credit collection</td>
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</tbody>
</table>
Audit and Risk Committee
26 May 2020

Enterprise Risk COVID-19 Update

Item 9

Attachment D
## Audit and Risk Committee
### 26 May 2020

**Audit and Risk Committee**

**26 May 2020**

### Enterprise Risk COVID-19 Update

<table>
<thead>
<tr>
<th>Item 9</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Description</th>
<th>Risk Mitigation (Existing and Potential Controls)</th>
<th>Control (Existing and Additional Controls Suggested)</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Security and Cyber</td>
<td>Cybersecurity risk is the probability of unauthorized access resulting in a cyber attack or breach of systems that result in loss of data, revenue, brand reputation, and/or business interruption.</td>
<td>Block other external threats</td>
<td></td>
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</tr>
<tr>
<td>Risk No.</td>
<td>Risk Category</td>
<td>Risk Description</td>
<td>Risk Owners (Position and Potential Countersignatory)</td>
<td>Item 9: Controls (Existing and Additional Controls Suggested)</td>
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<tr>
<td>3</td>
<td>Environmental</td>
<td>Climate Change: Mitigation &amp; Adaptation</td>
<td>There is a need to develop and implement risk management strategies to address the climate change, which has been identified as a material risk. The risk is managed by implementing existing climate change plans and developing new adaptation strategies.</td>
<td>26 May 2020</td>
</tr>
<tr>
<td>Item No.</td>
<td>Risk Category</td>
<td>Risk Description</td>
<td>Risk Owners (Existing and Potential Causes)</td>
<td>Risk Owner</td>
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<td>Change needs and resourcing failure for the Crown and Council to deliver services</td>
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<td>for the delivery of services</td>
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Enterprise Risk COVID-19 Update
## Audit and Risk Committee
### 26 May 2020

### Enterprise Risk COVID-19 Update

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Category</th>
<th>Risk Description</th>
<th>Risk Owner</th>
<th>Internal Control</th>
<th>Internal Countermeasure</th>
<th>External Countermeasure</th>
<th>Authors</th>
<th>Residual Likelihood</th>
<th>Residual Exposure</th>
<th>Residual Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Financial Risk</td>
<td>Exposure of business activities to uncontrolled risks, which could lead to financial loss, service disruptions, or regulatory sanctions.</td>
<td>Director of Finance</td>
<td>Strategic Planning</td>
<td>Limited financial controls and monitoring mechanisms</td>
<td>Limited financial controls and monitoring mechanisms</td>
<td>Jack Smith</td>
<td>Remote</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

### Attachment D

Item 9
Audit and Risk Committee
26 May 2020

Enterprise Risk COVID-19 Update

Attachment D

Item 9
## Item 9

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Category</th>
<th>Risk Description</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk (IR)</th>
<th>Control (C)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk (RR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Operational</td>
<td>Service delivery</td>
<td>People</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
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</table>

**Notes:**
- **People:**
  - Use of part-time employees may reduce performance as operational requirements exceed training.

**Control:**
- Performance Service Strategy supported by CommuniFacilities

**Authors:**
- Focused
- Mode of
- Total

**Scenario:**
- Service delivery impacted by staffing and operational issues due to COVID-19

**Likelihood:**
- High

**Consequence:**
- High

**Risk:**
- High

**Recommendations:**
- Increase service delivery levels

---

**Attachment D**

Enterprise Risk COVID-19 Update
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
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<tbody>
<tr>
<td>Item 9</td>
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<td><strong>Enterprise Risk COVID-19 Update</strong></td>
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<td>Risk Category</td>
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<td>Operational Risk</td>
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<td>Risk No.</td>
<td>Risk Category</td>
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<tr>
<td>11</td>
<td>Integration</td>
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Te take mō te pūrongo

Purpose of the report

1. To update the Audit and Risk committee on the City Rail Link (CRL) project, including key risks and how they are being managed.
2. To update the committee specifically on how the CRL project is responding to the COVID-19 pandemic situation.

Whakarāpopototanga matua

Executive summary

3. Auckland Council is a joint project Sponsor with the Crown and a major financial contributor of the City Rail Link project. The Audit and Risk Committee maintains oversight of the risk management processes and sponsors’ risks.
4. The sponsors have appointed Advisian as CRL Sponsors’ Assurance Manager (CSAM). Advisian manages oversight of the Sponsors’ risks, primarily through regular workshops with Sponsor representatives.
5. Initially the Sponsors’ risk workshops were used to develop a detailed risk register that included over 100 risks, which was reviewed and updated periodically.
6. In order to provide greater visibility of the highest rated risks, a risk Dashboard was developed for the 4 December 2019 risk review. This consolidated the risks into 6 categories based on areas of high risk and key interest to Sponsors. The Dashboard focuses on controls and treatments, rather than assessing risk levels. As part of the December risk review, City Rail Link Limited (CRLL) reviewed the Sponsors’ Risks Register for those managed by CRLL. No major issues/gaps were identified.
7. Following the December risk workshop, the Dashboard was further developed so that it provided a reliable baseline. This included refining the definition of risks, existing controls and recommended treatments.
8. A recent Sponsors’ risk workshop was held on 24 April 2020 which covered specific discussion topics, including a focus on COVID-19 risks and an update of the Dashboard. During the workshop, a seventh category of risk was added to the Dashboard related to the impacts of COVID-19.
9. A key action for the Sponsors is to develop a roadmap to COVID-19 recovery. This will be developed by CRLL and will clarify the risk approach, to provide the Sponsors with the ability to put controls/processes in place. The Sponsors will seek an update from CRLL towards the end of May.
10. These COVID-19 risks are currently being managed by CRLL, however, the risks continue to evolve. CRLL has been asked by Sponsors to develop a Remedial Action Plan in response to the risks and issues that have surfaced due to COVID-19 (this occurs in response to an Adverse Event). The plan will outline the approach to recovery. From this the risk register will be revised and updated.
11. The risk management practices and internal assurance processes have been maintained and all key governance groups have continued to meet through the COVID-19 impact period.
Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:
a) note the update on the City Rail Link project including key risks and how those risks are being managed, particularly those around the COVID-19 pandemic situation.

Horopaki
Context
12. Auckland Council is a joint project Sponsor with the Crown and a major financial contributor of the City Rail Link project. The Audit and Risk Committee maintains oversight of the risk management processes and sponsors’ risks.
13. Construction of the City Rail Link (CRL) is being jointly funded on an equal basis between the Crown and Auckland Council (Project Sponsors). City Rail Link Limited (CRLL), a Crown company, was established on 1 July 2017 and has full governance, operational and financial responsibility for CRL, with delivery targets and performance expectations.
14. Sponsors’ risk management responsibilities are led by the CRL Sponsors’ Assurance Manager (CSAM), Advisian. This report is based on a brief prepared by Advisian, which summarises the regular risk review processes undertaken by Sponsors. This risk review process is supported by a comprehensive risk register and a short-form risk dashboard, which is maintained on behalf of Sponsors by Advisian.
15. A Sponsors’ risk workshop was held on 24 April 2020 which covered specific discussion topics, including a focus on COVID-19 risks and an update of the Dashboard. An additional output of the review process is a register of actions for controls/treatments. These documents are in the process of being finalised, and are attached in draft to this report.

Tātaritanga me ngā tohutohu
Analysis and advice
16. After the December 2019 risk review, a risk Dashboard was baselined and used as the basis for a risk review which took place on 24 April 2020. At this risk review, the following activities were undertaken:
   a. Review risks: confirm existing risks are still relevant and accurate, update if required.
   b. Review treatments: transfer treatments to controls if they have been applied.
   c. Confirm additional treatments: add new controls to manage risks.
   d. New risks: if required, add new risk categories to the Dashboard.
17. Attendees of the workshop were invited to bring up any outliers in the Dashboard, and several risk items were updated. A key objective of the workshop was to confirm specific actions that should be completed to manage risks. They are included in the Dashboard as treatments.
18. Given the recent COVID-19 Alert Level 4 restrictions, the focus of the 24 April workshop was on the recent changes and necessary actions to traverse the pandemic challenges. Key COVID-19 related risks were noted:
   a. The key Link Alliance personnel are currently outside of New Zealand and there are issues with getting them into the country. These people are crucial to the work programme.
b. Cost and programme delay caused by changes to workplaces for COVID-19 health and safety responses (e.g. physical distancing, tracing etc.).

c. Keeping staff who have returned to work safe on site.

d. Auckland Transport’s significant revenue drop, which may impact its role as a Delivery Partner.

19. These COVID-19 risks are currently being managed by CRLL, however, the risks continue to evolve. CRLL has been asked by Sponsors to develop a Remedial Action Plan in response to the risks and issues that have surfaced due to COVID-19 (this occurs in response to an Adverse Event). The plan will outline the approach to recovery. From this the risk register will be revised and updated. A key focus for now is having quality conversations and maintaining transparency between Sponsors/CRLL and understanding of changes from week-to-week.

20. All other risk categories remain on the Dashboard and were updated during the 24 April workshop. Advisian’s most recent risk review, and the updated Dashboard, are both attached to this report (Attachment A and B respectively).

Tauākī whakaaweawe āhuarangi
Climate impact statement

21. This report is about an updated risk register. It therefore has no specific impacts on climate change.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views

22. Auckland Transport has an integral role in the delivery of an operationally successful rail link. To that end, it has a formal role in the project as one of the ‘delivery partners’ (along with KiwiRail). Auckland Transport has done considerable work internally on understanding its own risks and council staff meet with Auckland Transport weekly alongside Ministry of Transport and KiwiRail staff to ensure its involvement is being managed appropriately, including managing any new specific risks arising from the COVID-19 situation.

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

23. This report provides a general update on the risk profile and risk management processes of City Rail Link. There are no specific impacts on local boards.

Tauākī whakaaweawe Māori
Māori impact statement

24. This report provides a general update on the risk profile and risk management processes of City Rail Link. There are no specific impacts on Māori.

Ngā ritenga ā-pūtea
Financial implications

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

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations

26. This paper is about the management of Auckland Council’s investor (Project Sponsor) risk in the CRL project.
Ngā koringa ā-muri

Next steps

27. Staff propose to take the following steps in association with the Sponsors’ assurance manager:

a. Finalise the draft Brief and updated risk Dashboard provided by Advisian.


Ngā tāpirihanga

Attachments

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<tr>
<td>A</td>
<td>Advisian risk review, April 2020</td>
<td>95</td>
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<tr>
<td>B</td>
<td>CRL Sponsors’ Risk Dashboard, May 2020 update</td>
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Ngā kaihaina

Signatories

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<tr>
<th>Author</th>
<th>Edward Siddle - Principal Advisor</th>
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<tr>
<td>Authorisers</td>
<td>Alastair Cameron - Manager - CCO Governance &amp; External Partnerships</td>
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<td>Phil Wilson - Governance Director</td>
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Brief: CRL Sponsors’ Risk Review

Summary of Review Process, Workshop and Dashboard

Workshop: 24 April 2020

This Brief summarises the April 2020 risk review including the review process, workshop, Dashboard, agreed actions and risk treatment actions.

1  Sponsors’ Risk Review

Sponsors’ risk reviews have been managed by Advisian, as CRL Sponsors’ Assurance Manager (CSAM), since August 2018. Advisian also provided support at Auckland Council’s Audit and Risk Committee meeting in March 2019. Initially the Sponsors risk workshops were used to develop a detailed risk register that included a typical NZTA risk evaluation for over 100 risks, as was reviewed and updated periodically.

A Risk Dashboard was developed for the 4th December 2019 risk review, by qualitatively reviewing the existing detailed risk register. This distilled the detailed risks into 6 categories based on areas of high risk and key interest to Sponsors. The Dashboard focuses on controls and treatments, rather than assessing risk levels. Following the December risk workshop, the Dashboard was baselined, including definition of the risks, existing controls and recommended treatments.

The risk workshop on 24 April 2020 covered specific discussion topics, including a focus on Covid-19 risks and an update of the Dashboard. An additional output of the review process is a register of actions for controls/treatments. Further actions related to risk are provided throughout this Brief.

2  Risk Workshop – Meeting Notes and Actions

Advisian hosted the workshop by Skype on 24/04/2020.

Attendees

- Advisian (CSAM): Tariq Mahmood (Facilitator), Sean Dolan, Terry Poynton, Martin Glynn
- Auckland Council (AC): Barry Potter, Shelley Lomas, Emma Mosely, Ed Siddle
- Ministry of Transport (MoT): Mike Moore, Sarah Allen

Apologies

- Auckland Council: Fleur Aldridge (AC), Kevin Ramsay (AC),
- Treasury: Ben Wells

In lieu of formal minutes, this Brief summarises discussions at the workshop including agreed actions.
2.1 Key Notes and Actions

Actions agreed at the Workshop are provided throughout this Brief and consolidated here:

**Key Action: Sponsors** to develop a roadmap to Covid-19 recovery. This will clarify the risk approach and give ability to put controls/processes in place in order to achieve desired outcomes.

**Actions**

- **Sponsors** to check status of CRLL’s consultation with KRG. (noting no issues presently identified)
- **Sponsors** to decide whether a new review point for Covid-19 remediation should be applied, and whether it should be aligned with the “Pre-Tunnelling” review.
- **Mike/Barry** to ask CRLL what actions and timeframe are for creating the Remedial Action Plan and revising their risk registers (Strategic and QRA). A key focus must be quality of conversation and transparency between Sponsors/CRLL (Including Executive Management) and understanding of changes from week-to-week.
- **Emma/Ed** to engage **Terry** to help produce the high-level report in advance of the AC Audit and Risk Committee meeting at end of May.
- **Sponsors** to review the risk action register, provide feedback to CSAM, and confirm method of monitoring (e.g. through JST meetings) and recording updates.

**To Note**

- **Auckland Transport** is under financial pressures due to loss of revenue. Although there is no indication of issues for CRL. Sponsors need to be aware of their situation.
- **AC** is focusing on supporting Link Alliance to get staff back into NZ. To seek support where needed.

New additions to the Risk Dashboard (Attachment A) are provided below, as discussed at the Workshop. These have been included in the Action Register as described in Section 5.

**New Treatments/Actions in the Risk Dashboard**

- **Adverse Event Controls** (PDA 16.1) - Come to agreement between Sponsors (including CRLL) how to approach the controls (possibly amend as currently defined in PDA). This will likely have flow-on effect for Schedules 5 and 6.
- **Remedial Action Plan** (PDA 19) - Sponsors to consider approach of review/comment rather than approve. The Plan will also need to be updated periodically, when appropriate, as a result of Covid impacts being ongoing (not a singular event).
- Endorse the updated Sponsors Agreement and implement the changes.
- Investigate how the **Delivery Partners** (or above in the governance) fits into the Sponsors Agreement.
- Ensure **ad-hoc and accelerated governance meetings** (e.g. PAB/JST) are held when appropriate. Ensure this agile approach maintains/enhances the approach without bypassing it; the approach must be manageable for organisations and individuals.
- Establish/improve relationships with key Policy and central government teams.
- Provide direction to ensure the CRL Remedial Action Plan includes:
  - planning in case revert to Level 4,
  - how CRLL will provide further operational assessments that include measurements of risk.”
- **Opportunity** - Take advantage of the great responsiveness of stakeholders that has been occurring (i.e. seek advice and action while they are heavily involved).
2.2 Open Discussion

- CRL’s Covid-19 taskforce and recovery are of great interest to Sponsors.
- AC and MoT – Information sharing is important and to be a focus moving forward.

2.3 Project Changes (since previous review in December 2019)

Changes since the previous workshop were discussed, to ensure attendees understand state of the CRL Project. The following were noted:

- **C1**: Provisional Sums and Programme slippage.
- **Link Alliance**
  - C3: B0 (released Feb) and TAP Rev 02 (in progress)
  - C5: early works (Mt Eden) removed from Alliance, for delivery by CRL
  - C5/C7 Integration (further movement) – C7 now expected Sept. ’20
- **C8/C9**: Scope remains to be confirmed (being challenged appropriately)
- **HSS** – There has been an increased focus on Health & Safety
- **COVID-19** (e.g. delays, supply chain issues, missed C5 BOL - impact to C3/C5) – This topic was covered in more detail during later discussions, see Section 3.

No other significant changes were raised by attendees.

2.4 Targeted Discussion (CSAM Commercial Review Feb. 2020)

This risk review complements the February 2020 CSAM Commercial Review. Many of the CSAM recommendations support management of risks. Topics related this were discussed, including:

- **C1 Costs**: Cost increases were reported as low risk during the Feb. Review; however, there have been recent cost increases. There is potential for similar increases. Sponsors to note RBV work on C8/C9.
- **CRL Delivery Strategy and Sponsors Involvement** – It was noted that the CSAM report includes several recommendations that should be considered for action by Sponsors and CRL, such as:
  - C3 B0 – Review of Risk & Opportunities; ensure Sponsors remain informed.
  - C5/C7 Integration (changes risks managed by CRL and Sponsors); Sponsors to request updated CRL Strategic Risk Register.
  - Delivery Partner risks under PAA, DPA Schedule 2 – It was noted that the CRL Project doesn’t rely only on CRL, Delivery Partners must also be considered.
  - **Note**: AT is under financial pressures due to loss of revenue. There is no indication of issues for CRL, but Sponsors need to be aware.
  - **Action**: Sponsors are not aware of KRG issues, but are to check with CRL, who should be engaging with KRG.
  - Retained Risks – To be confirmed how CRLL is managing these. (Include in Delivery Strategy)
3 Stakeholders’ Risks and Covid-19 Recovery

This discussion topic covered pre-existing risks and recovery from the Covid-19 lockdown. Items specific to individual stakeholders are provided below. It was agreed that assessment of pre-existing risks would not be assessed until the “new normal” is clearer and focus now is on the recovery plan (Section 0).

3.1 Sponsors

A Recovery Plan was discussed at this workshop (refer Section 0). Covid-19 related risks, controls and treatments were also added to the Sponsors’ Risk Dashboard as described in Section 4.

PDA Review Points

The next Mandatory Review Point is for “Pre-Tunnelling” and is estimated to be completed late 2020. It was suggested that an earlier review may be beneficial and should include Covid-19.

Barry noted that Sponsors will seek an update from CRL towards the end of May, likely to be aligned with transition from Alert Level 3 to Level 2. Mike noted that from PDA perspective this is an adverse event, so it will fit the PDA structure well.

**Action:** Sponsors to decide whether a new review point for Covid-19 remediation should be applied, and whether it should be aligned with the “Pre-Tunnelling” review.

3.2 CRL

As part of the Dec. 2019 risk review, CRL reviewed the Sponsors’ Risks Register for those managed by CRL. No major issues/gaps were identified. CSAM received CRL’s Quantitative Risk Assessment (QRA) in February as part of the Commercial Review, but detailed assessment was not in scope of the review.

The attendees discussed whether there is need to assess CRL’s risks (Strategic/QRA) against Sponsors’ risks. It was agreed this should be postponed while risks are evolving (i.e. Adverse Event and Remedial Action Plan development, as well as B0 and TAP Rev 02). An assessment will be considered once the “new normal” is better defined.

**Action:** Mike/Barry to ask CRL what actions and timeframe are for pulling together the Remedial Action Plan and revising their risk registers (Strategic and QRA). A key focus must be quality of conversation and transparency between Sponsors/CRL and understanding of changes from week-to-week.

3.3 Link Alliance

Barry advised a priority action is to secure the Link Alliance, critical as key players can’t get into country. Consequence of not doing this would be severe. Terry suggested (from TfNSW example) of continuing with roadmap/milestones that supports the plan but not necessarily trying to duplicate efforts on defining new normal. Barry agreed with this approach.

**Note:** AC’s focus is on supporting Link Alliance to get staff back into NZ. To seek support where needed.
3.4 Auckland Council

- **AC Audit and Risk Committee** is meeting end of May.
  - This requires information from Sponsors in form of high-level report.
  - Agenda will close around 12/5.
  - Details on the Remedial Action Plan will need to come from Barry/Mike.
  - **Action:** Emma/Ed are to reach out to Terry to produce the report.

- “Pulse Check” – Emma noted that AC is undertaking a separate review of risk profile, along with financial scenarios to determine the “new normal”, matching Treasury’s approach. This includes CRL.

3.5 Auckland Transport (AT)

Barry noted that AT’s revenue has been decimated by the lockdown. They are reviewing their programmes of work to understand how they fit together. There haven’t been indications that CRL would be moved away from, but Sponsors need to be aware of the pressure they’re under (as noted in Section 2.4).

3.6 CRL Covid-19 Recovery Plan

**Key Action:** Sponsors to develop a roadmap to recovery. This will clarify the risk approach and give ability to put controls/processes in place in order to achieve desired outcomes.

Barry described aspects that are becoming clearer (with AC in active role), such as:

- supply chain,
- getting people into NZ,
- ensuring public confidence is maintained (or gain support),
- changing work hours on site,
- noise level allowance,
- getting back on-site ASAP (front of “shovel ready” and conversations up to Minister level),
- funding and costs:
  - flow on effects to funding including Council’s funding,
  - at central government level, determining how to value the shutdown period. Some early payments C1/C2 have been made, others are underway. Central government is working to get alignment (common approach) to this.

Several activities are underway to assist in clarifying these, in order to develop and implement the plan.

4 Dashboard – Review and Updates

The Dashboard baselined in December 2019 was used as the basis for this April 2020 review. It was refined prior to the workshop (for accuracy and readability), updated during the workshop (based on discussions), and refined afterwards (for completeness and clarity). The latest Dashboard is provided in Attachment A.
The following activities are completed during each risk review:

1. **Review Risks** – Confirm existing risks are still relevant and accurate. Update if required.
2. **Review Treatments** – Transfer Treatments to Controls, if they’ve been applied.
3. **Confirm additional Treatments** – Add new controls to manage risks.
4. **New Risks** – If required, add new risk categories to the Dashboard.

Attendees of the workshop were invited to bring up any outliers in the Dashboard, and several risk items were updated accordingly. Given the recent Alert Level 4 alert due to Covid-19, the focus of this workshop was on the recent changes and necessary actions to traverse the challenges that are being faced.

A key objective of the workshop was to confirm specific actions that should be completed to manage risks. They are included in the Dashboard as treatments and have been extracted into a tool as described in the following section.

## 5 Action Register (Risk Mitigation Tool)

In addition to the broader actions provided throughout this Brief, an integral part of regular risk reviews is to confirm what actions (controls and treatments) are required to manage key risks.

Advisian has developed a draft Action Register that is intended to improve reporting of controls/treatments and active engagement in mitigating risks, provided in Attachment B. This includes key actions from the baseline Dashboard, and updates from the risk workshop.

The draft Risk Action Register includes:

1. **Register Review Plan**: Venue and frequency are to be confirmed.
2. **Sources**: Selected actions from the workshop and Dashboard.
3. **Actions**: Include specific owners for:
   - **Controls**: Existing controls that require action
   - **Treatments**: New treatments that require action

**Action**: Sponsors to review the action register, provide feedback to CSAM and confirm method of monitoring (e.g. through JST meetings) and recording updates.

## 6 ATTACHMENTS

Attachment A: Sponsors’ Risk Dashboard

Attachment B: Sponsors’ Risk Action Register
## Audit and Risk Committee
### 26 May 2020

**City Rail Link risk update May 2020**

### Workshop 24/6/20 - Based on Baseline from workshop 4/5/20, updates from workshop 24/6/20 in red.

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<th>Additional Treatments/Actions</th>
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<td>Unsuitable engagement with external parties &amp;/or failure to deliver</td>
<td>Various</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Auditing &amp;/or monitoring not satisfactorily undertaken</td>
<td>Understaffing</td>
<td>Various</td>
<td>None</td>
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### Workshops benefits

- Enhanced key risk management through workshops.
- Improved understanding of key risks and controls.

### Item 10

- **CRL SPONSORS’ RISK DASHBOARD - Risk Review**
  - Workshop Leader: [Name]
  - Date: 24 June 2020

- **City Rail Link (CRL)**
  - Ministry of Transport, Auckland Council

- **Auditor:** 
  - [Name]

- **Scope:**
  - Risk management plan

- **Objectives:**
  - Identify and manage key risks

- **Key Risks & Controls:**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Cause</th>
<th>Current Controls</th>
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<tr>
<td>Project Delays</td>
<td>Workforce shortages</td>
<td>Various</td>
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**Note:**

- [Date]

### References:

- [CRL Framework]
- [Risk Management Plan]

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**Attachment B**

- Page 1 of 3

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**City Rail Link risk update May 2020**

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**Page 101**
### City Rail Link risk update May 2020

**Audit and Risk Committee**  
26 May 2020

**Attachment B**

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### Workshop 34/6/20 - Based on Baseline from workshop 6/12/19, updates from workshops 24/5 to in red.

<table>
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<tr>
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<th>Consequence</th>
<th>Cause</th>
<th>Risk definitions and data</th>
<th>Current Controls (what we need to do to mitigate)</th>
<th>Additional mitigation/actions</th>
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**CRLL obligations not met**

1. Inadequate engagement between CRLL and Shareholders
   1. Poor compliance with TDA.
   2. Poor recording in CRLL.
   3. Inadequate or non-existent communication between CRLL and Sponsors.

2. Inadequate internal risk management by Sponsors
   1. Not following internal policies.
   2. Poor risk planning.
   3. Inadequate communication between Sponsors and Shareholders.

3. Inadequate Sponsor Oversight (project support)
   1. Sponsor’s scope of work.
   2. Sponsor’s compliance with contract.

---

### Inadequate Sponsor Oversight (project support)

<table>
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<tr>
<th></th>
<th>Consequence</th>
<th>Cause</th>
<th>Risk definitions and data</th>
<th>Current Controls (what we need to do to mitigate)</th>
<th>Additional mitigation/actions</th>
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**Notes**

- Inadequate engagement with Shareholders:
  - CRLL2 must engage with Shareholders on a regular basis.
  - Sponsors must engage with CRLL on a regular basis.

- Inadequate internal risk management by Sponsors:
  - Sponsors must follow their own internal policies.
  - Sponsors must communicate with Shareholders.

- Inadequate Sponsor Oversight (project support):
  - Sponsors must provide regular updates to CRLL.
  - Sponsors must follow CRLL’s instructions.

---

**City Rail Link risk update May 2020**

**Page 102**
## Workshop 3A/6/20 - Based on baseline from workshop 4/13/20 - updates from workshop 24/6 in red

### Audit and Risk Committee

#### Inadequate Services at Day 1

| Delivery Partner unable to deliver sufficient services at Day 1 | Not delivering to single schedule/ service/ agreement/ process | Schedule | Cost of delays/ lost revenue | Impact on franchised services | Relationship | Impacts on crown (

| Schedule | Cost of delays/lost revenue | Impact on franchised services | Relationship | Impacts on crown |
|---|---|---|---|---|---|---|---|
| 1. Allowances for Testing & Commissioning are not adequate | 1. Delivery Partner unable to operate services on a consistent basis | 1. Cost of delays/lost revenue | 1. Impact on franchised services | 1. Relationship | 1. Impacts on crown |

### Damaged Reputation

|---|---|---|---|---|---|---|

### Covid-19 Executive Inputs

| Impacts of the Covid-19 on the company’s expectations | Remediation plans and actions are not developed and implemented | 1. Funding priorities/ changes in change | 2. CRIL needs a site plan for remediation | 3. Investigation of site plans that are not feasible | 4. Sponsor’s approach to remediation is not realistic |
|---|---|---|---|---|---|---|---|
| 1. Remediation plans and actions are not developed and implemented | 2. CRIL needs a site plan for remediation | 3. Investigation of site plans that are not feasible | 4. Sponsor’s approach to remediation is not realistic |

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City Rail Link risk update May 2020

Page 3 of 5

4/05/2020
Te take mō te pūrongo

Purpose of the report

1. To update the Audit and Risk Committee on the consents performance measure assurance activities and decisions made for generation of required performance results for the Annual Report concerning the processing of consents within 20 working days.

Whakarāpopototanga matua

Executive summary

2. In February we reported to this Committee that the building consents process is robust and operating effectively and will likely be able to generate a sufficiently reliable result from the processes and systems. However, we reported that for resource consents, progress made to date is not adequate to be able to test accuracy or be confident that it will be able to produce a sufficiently reliable result in time for the annual audit.

3. As such the process to generate reported performance for resource consents is a recalculation of a representative sample of consents. The sample is generated by Audit New Zealand.

4. The consents performance assurance plan was reported to this Committee in February and is currently being executed.

5. Progress in performing the recalculation has been impacted by COVID-19. Resource Consents is two weeks behind its planned timetable. This should not impact on Audit NZ annual report clearance dates but is being proactively managed.

6. A separate report is being provided to this Committee on 26 May 2020 from the Building Consents and Resource Consents departments on the work being undertaken to produce accurate reporting and improve performance overall.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) receive the update on the consents performance measure assurance activities and the generation of required performance results for the Annual Report concerning the processing of consents within 20 working days.

Horopaki

Context

7. The reliability of the systems data for building and resource consents has been an ongoing issue for Council over which the Audit and Risk Committee has had regular oversight.

8. For the 2018/2019 Annual Report the results for both resource and building consents were generated by a recalculation of a sample of consents that was completed by Assurance Services.

9. In February 2020 we reported that Assurance Services’ testing to date has indicated that:
• The building consents process is robust and operating effectively and will likely be able to generate a sufficiently reliable result from the processes and systems
• The resource consents process is also robust. However, progress made to date is not adequate to be able to test accuracy or be confident that it will be able to produce a sufficiently reliable result in time.

10. Based on the status of the processes and testing information available, it was decided that an alternative method of calculating the resource consent performance result is required.

11. For resource consents Audit NZ will use a use a random sample as the basis for a recalculation being performed by the Resource Consents department to generate a representative result (same process completed for 2018/2019 financial year for both resource consents and building consents).

12. While the quality and accuracy of the consenting data and performance has been improving over time, the processes remain complex and reliant on manual processes that are vulnerable to human error. Consequently, additional testing and quality assurance have been implemented under the Consents Performance Measure Assurance Plan.

13. The purpose of the assurance plan and additional checking processes is to ensure the data on the timeliness of the processing of consents is accurate and validated sufficiently that it can be relied on and reported in the Annual Report.

Tātaritanga me ngā tohutohu
Analysis and advice

14. Since February the following quality assurance checking on consents included in the Audit NZ sample has been performed by Assurance Services.

Resource consents

15. A random sample of 756 resource consents, selected by Audit NZ are being recalculated and internally reviewed by the consent's hub. The initial sample is 520 consents processed in the July 2020 to February 2020 period.

16. Of the initial sample of 519 consents, Resource Consents have at the date of this report completed and provided a sample size of 431 to Assurance Services for testing.

17. Assurance Services are performing ongoing quality assurance of completed samples.

18. Resource Consents has been liaising with Audit NZ so that Audit NZ could commence their testing in April.

19. Resource Consents have been impacted by COVID-19. They are two weeks behind the agreed date of 30 April for completion of the initial sample of 519 consents. This should not impact on Audit NZ year end clearance deadlines, but does need to be carefully monitored and managed.

Building Consents

20. Building consents have verified 10,271 consents for the first half of the year (July 219 to December 2019). These have been subject to quality assurance by Assurance Services on a sample basis and an agreed sample set of 24 records has been randomly selected by Audit NZ. These records have been supplied to Audit NZ and they have now commenced the audit process.

21. Verification of the next quarter results (3807 consents) is underway and will continue to be checked by Assurance Services, resulting in a similar sample set to be selected by Audit NZ.

Tauākī whakaaweawe āhuarangi
Climate impact statement

22. There are no climate impacts arising from this report.
Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
23. There are no council group impacts arising from this report.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
24. This report does not have any specific local impact or require local board input.

Tauākī whakaaweawe Māori
Māori impact statement
25. This report does not specifically benefit or have any adverse effects on Māori.

Ngā ritenga ā-pūtea
Financial implications
26. This report does not require the committee to make decisions with financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
27. There is a risk that the Regulatory Services division will not be able to report accurate
performance measures that can be adequately substantiated by Audit NZ, resulting in a
modified audit opinion.
28. This risk is being mitigated through the Assurance Plan which will ensure close oversight
and escalation of activities and issues to ensure either an effective checking process with
errors being sufficiently resolved, or a recalculation approach if this cannot be achieved.

Ngā koringa ā-muri
Next steps
29. Assurance Services is continuing oversight and auditing of the building and resource
consent processes to ensure they are operating adequately to generate accurate data for
the full financial year.
30. Assurance Services will continue its leadership of the Steering Group and monitor and
maintain oversight of the Regulatory directorate’s processes and the planned programme of
work to implement systems controls and training to ensure quality data in the next financial
year.
31. A further update will be provided to the Audit and Risk Committee in August 2020.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Mark Maloney - Head of Assurance Services</th>
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<tbody>
<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
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Resource and Building Consents performance and improvement activities update

File No.: CP2020/06004

Te take mō te pūrongo
Purpose of the report
1. To update the Audit and Risk Committee on the progress towards having accurate processing time recording for Building and Resource Consents to confirm statutory performance results in the 2019/2020 Annual Report.

Whakarāpopototanga matua
Executive summary
2. The preparatory work to verify the reported statutory performance of (Resource and Building) consents issued within 20 working days continues as planned.
3. Impacts of the response to the COVID-19 lockdown have been mitigated to ensure the program of work is completed within planned timeframes.
4. Work undertaken on the results for first half of the financial year has progressed to the point of the audit having been started by Audit New Zealand.
5. The Regulatory Services directorate, with the support of Assurance Services are on track to have the remaining data sets verified and provided to Audit NZ to complete the timely confirmation of the 2020 Annual plan performance reporting.

Ngā tūtohunga
Recommendation/s
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 variances reported by Audit New Zealand in 2019.

Horopaki
Context
6. A report was provided to the committee at its meeting of 24 February 2020 detailing the actions taken to improve the performance of time recording for the resource and building consent departments, and specifically to identify the plan for verifying these key performance indicators in the 2019/2020 Annual Report.
7. Improved statutory performance was noted within the report and the focus was on the verification processes likely to be needed, working with Assurance Services and Audit NZ over the intervening period.
8. Further work has been undertaken in the business units relating to procedures, training, and identifying system enhancements required to eliminate the variances for future processing results.
9. Verification of 100 per cent of the raw data held within SAP has been continuing within the business units, and the testing of a representative sample has been continuing with Assurance Services.
10. Sampling processes and criteria have been agreed with Audit NZ to allow their testing of the data to progress for this year’s performance results.

11. Auditing of the first half of the year’s results for Building Consents has been commenced by Audit NZ.

12. The recent ‘Lockdown’ provisions of the COVID-19 response has provided some challenges for the completion of testing and may influence the final quantum of testing required to form a representative sample.

Tātaritanga me ngā tohutohu
Analysis and advice

13. There are currently 10 dedicated staff across the resource and building consent teams performing the validation of timeframes and the existence of compliant documentary evidence to support every consent record.

14. Resource adjustments needed to be made as a result of COVID-19 impacts as some of this resource was contracted and temporary in nature. Replacement staff have been re-tasked to these roles which has involved some delays through training requirements – but this is largely back on track now.

15. Whilst enhancing the accuracy of their reporting, the Resource Consent and Building Consent departments have also continued to work on improving the timeliness of consenting service delivery. This has resulted in substantive improvements over the financial year to date. The improvements in the last period have dipped slightly as a result of the disruption with COVID-19, but are anticipated to improve again throughout the remainder of the year [Refer table below.]

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16. For building consents, the data for the first half of the year (July 2019 to December 2019) has been verified and an agreed sample set of 24 records has been randomly selected by Audit NZ. These records have been supplied to Audit NZ and they have now commenced the audit process.

17. Verification of the next quarter results (January 2020 to March 2020) is underway and will continue to be checked by Assurance Services, resulting in a similar sample set to be selected by Audit NZ.

18. For resource consents at the time of the February Audit and Risk Committee meeting there had been two options identified to verify the calculated performance results:

(a) Use a random sample to generate a representative result (same process completed for 2018/2019 financial year).

(b) Use a statistical methodology to extrapolate results from a cleansed subset of data across the whole data source.

19. Following a comprehensive review, it was agreed that it would be preferable to calculate performance for resource consents by following the approach outlined in Option (a). The recalculation sample size of 716 was based on available statistics and performance.

20. It was agreed that the sample would be undertaken in batches due to availability of data. An initial batch of 520 samples (July 2019 to February 2020) has been extracted from the system. The team of assessors will have completed this task by 15 May 2020. The remainder of the sample will be extracted in smaller batches (for March 2020 to June 2020 consents) and will be completed by 17 July 2020.
21. In addition to the recalculation process, the Resource Consents department has continued to assess completed applications, identifying, and resolving errors and inconsistencies. This process extends beyond statutory evidence by looking at additional search criteria such as billing accuracy, invoicing, and incomplete data fields.

22. To date this has shown an encouraging improvement in results. Between October 2019 and February 2020 data sets, overall passes in this process increased by 36 per cent.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

23. There are no climate impacts as a result of this report.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

24. There are no council group impacts arising from this report.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**

**Local impacts and local board views**

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

**Tauākī whakaaweawe Māori**

**Māori impact statement**

26. This report does not benefit or have any adverse effect on Māori.

**Ngā ritenga ā-pūtea**

**Financial implications**

27. This report does not require the committee to make decisions that have financial implications.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

28. This report outlines mitigations being taken by the Regulatory Services Directorate to avoid the risk of having reported Annual Report performance results being modified or qualified; and the implications such a result might have on public trust and confidence.

**Ngā koringa ā-muri**

**Next steps**

29. Audit NZ testing has commenced for Building Consents and will be underway in late May 2020 for Resource Consents.

30. We are on track to have the remaining data sets verified and provided to Audit NZ to complete the timely confirmation of the 2020 annual plan performance reporting.

31. The improvement plan items referred to the 24 February Audit and Risk Committee report are progressing with a focus on three key areas:
   - Standardised and improved end to end procedures
   - Staff training and feedback throughout the testing process
   - System changes required into SAP have been specified and are waiting to be implemented within an ICT priority queue.
There are no attachments for this report.

**Author**

<table>
<thead>
<tr>
<th>Author</th>
<th>Position</th>
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</thead>
<tbody>
<tr>
<td>Peter Laurenson</td>
<td>Manager Project Assessment South</td>
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</tbody>
</table>

**Authorisers**

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<tbody>
<tr>
<td>Ian McCormick</td>
<td>Manager Building Control</td>
</tr>
<tr>
<td>Ian Smallburn</td>
<td>General Manager Resource Consents</td>
</tr>
<tr>
<td>Craig Hobbs</td>
<td>Director Regulatory Services</td>
</tr>
<tr>
<td>Phil Wilson</td>
<td>Governance Director</td>
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Open discussion on the Auckland Council Group’s 30 June 2020 year end reporting and audit requirements

File No.: CP2020/05946

Te take mō te pūrongo
Purpose of the report

1. To provide the Audit and Risk Committee with details of key aspects of the Auckland Council Group’s year end reporting and audit requirements.

2. To provide the Audit and Risk Committee with information to enable the approval of new accounting policies and key judgements applied in the preparation of the annual report and summary annual report.

3. To provide the committee with assurance over controls applied to ensure the year end reporting including the preliminary NZX release, annual report and summary annual report (annual reports) will contain valid, accurate and complete information.

Whakarāpopototanga matua
Executive summary

4. The Audit and Risk Committee’s terms of reference (delegations) assigns a responsibility to the committee to review and monitor the integrity of the Auckland Council Group’s interim and annual reports; including statutory statements and any other formal announcements relating to the group’s financial performance.

5. As part of executing this responsibility, the committee will recommend:
   - at the 24 August 2020 committee meeting, that the chair and deputy chair of the Finance and Performance Committee recommend the mayor and chief executive to sign and release the group’s preliminary announcement to the NZX
   - at the 15 September 2020 committee meeting, the annual reports for adoption by the Governing Body at its 24 September 2020 meeting.

6. This open report provides the committee with information and insights into the preparation processes for these documents including:
   - financial year end processes
   - representation letters
   - the committee’s oversight of the management of fraud
   - accounting policies adopted during the 2019/2020 financial year.

7. To encourage transparency in our committee reporting we have endeavored to discuss as much information as possible about the year end reporting and audit requirements in this report. However, there is some information which cannot be released to the public due to disclosure requirements of the NZX. Instead it will be presented in the confidential item “Auckland Council Group’s 30 June 2020 year end and audit requirements”.

8. The confidential report will provide additional insights into the preparation processes for these documents, as well as critical reporting matters and audit requirements, including:
   - challenges to reporting requirements
   - the effect of changes in accounting policies on the financial statements
   - key judgement and assumptions applied in the preparation of financial reporting
   - Audit New Zealand’s key audit matters
   - draft representation letters as attachments.
Item 13

- additional confidential information on the accounting policies adopted during the 2019/2020 financial year and their effect on the financial statements
- an outline of the impact of the COVID-19 pandemic on the timing of the release of the group’s results and annual reports, as well as its impact on judgements, assumptions and disclosures within the annual reports.

Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) note the year end reporting matters information in this report and use it to supplement the information in the confidential item “Auckland Council Group’s 30 June 2020 year end and audit requirements”.

Horopaki
Context

Reporting requirements

9. The Auckland Council Group has complex financial reporting requirements due to it being an issuer of debt on the New Zealand (NZX), Singapore (SGX) and Swiss (SIX) stock exchanges, and a local government entity.

10. The preliminary NZX release and annual reports (year end reporting) are based on consolidated information obtained from Auckland Council, council-controlled organisations, Ports of Auckland Limited and City Rail Link Limited’s reporting packs. Reporting packs are supported by assurances obtained in representation letters.

11. In accordance with the NZX listing rules, the Financial Control team prepares the preliminary NZX release for lodgement within 60 days of financial year end. In addition, in conjunction with the Corporate Performance Reporting team, it prepares the annual report and summary annual report within 3 months of financial year end.

12. The SGX has limited reporting requirements, requiring the council to provide its annual report at the same time as it is released to the NZX.

13. The SIX requires the council to provide a URL to its annual report within four months of year end.

14. In addition to New Zealand reporting requirements, the SIX and SGX require reporting of differences between our financial reporting framework and International Financial Reporting Standards.

15. Further information on reporting requirements will be discussed in the confidential item “Auckland Council Group's 30 June 2020 year end reporting and audit requirements”.

Auditor responsibilities

16. Audit New Zealand, on behalf of the Auditor-General as Auckland Council and Auckland Council Group’s auditor, issues an opinion on the group’s annual report and summary annual report.

17. Audit New Zealand will attend the Audit and Risk Committee meeting on 15 September 2020 to enable the committee to liaise with Audit New Zealand to ensure that a robust financial audit of the group has occurred.
Committee responsibilities

18. The Audit and Risk Committee reviews the quality of the year end reporting, the processes used to prepare the documents, and the judgements and assumptions applied to transactions, balances and disclosures. The chair and deputy chair of the Finance and Performance Committee review and enquire into the financial and operational performance of the group.

19. In fulfilment of its terms of reference the Audit and Risk Committee endorse the year end reporting and recommend to the chair and deputy chair of the Finance and Performance Committee that they recommend the mayor and chief executive approve and release the year end reporting.

Year end processes

20. The following diagram outlines the process to prepare the preliminary NZX release.

21. On 15 September 2020 the Audit and Risk Committee will recommend the annual reports to the Governing Body for adoption.

22. On 17 September 2020 the Finance and Performance Committee will review the financial performance of the group and also recommend these reports to the Governing Body.

23. On 24 September 2020, the Governing Body will adopt the annual report and summary annual report. The mayor and chief executive will then approve the annual report and the summary annual report for release to the NZX and to make them publicly available.

24. The following diagram outlines the process for annual report and summary annual report release.
Tātaritanga me ngā tohutohu
Analysis and advice

Accounting policy amendments during the year

25. The following accounting standards became effective on 1 July 2019:
   - PBE IPSAS 34 Separate Financial Statements
   - PBE IPSAS 35 Consolidated Financial Statements
   - PBE IPSAS 36 Investments in Associates and Joint Ventures
   - PBE IPSAS 37 Joint Arrangements
   - PBE IPSAS 38 Disclosure of Interests in Other Entities
   - PBE IPSAS 39 Employee Benefits


27. The 2019/2020 proforma financial statements outline the changes to accounting standards and their effect. The changes have been incorporated into the group’s accounting policies.

28. The adoption of these new standards has not resulted in any material changes to the accounting for existing arrangements.

Financial year end processes

29. The group’s annual report and summary annual report are produced for the year ending 30 June 2020. The annual report includes:
   - Volume One: Overview and service performance
   - Volume Two: Local boards (comprising 21 local board reports)
   - Volume Three: Financial statements.
30. The process to finalise the NZX preliminary announcement, annual report and summary annual report includes the following.

**Auckland Council Group’s financial statement consolidation**

31. Auckland Council and CCO reporting packs, with auditor sign-off, are provided to the Financial Control department on 29 July 2020.

32. The group consolidation process is completed by the Financial Control team, and the consolidation workbook and information provided to Audit New Zealand.

33. The consolidation forms the basis for the NZX preliminary announcement, volume three of the annual report (financial statements) and the summary annual report.

**NZX preliminary announcement**

34. The preparatory steps for the NZX preliminary announcement are:
   - The pro forma NZX preliminary announcement (‘announcement’) is prepared in consultation with the group chief financial officer and the Media Relations team.
   - The council’s Legal Services department, in conjunction with Mayn e Wetherell, reviews the announcement and provides feedback.

35. The internal clearance process is as follows:
   - The Legal Services department provides sign-off that the announcement complies with the NZX rules.
   - The group financial controller, group treasurer and general manager financial strategy and planning review and sign-off the NZX preliminary announcement and media release.
   - The group financial controller and group treasurer meet with the group chief financial officer. At the meeting the group financial controller provides:
     - a memo from the group financial controller to the group chief financial officer and the group treasurer (a draft, based on last year’s memo, is attached to the confidential report as Attachment A) discussing:
       - council-controlled organisation’s long-form letters of representation (signed by the chair and chief executive of the council-controlled organisations) and any issues arising from the letters
       - the preparation of the financial statements process
       - the peer review, quality assurance and compliance sign-off
       - key disclosures
       - the final approval process
       - management confirmations.
     - the NZX preliminary announcement and media release
     - management’s back-to-back letter of representation
     - CCO long-form letters of representation
     - Legal Services legal compliance sign-off.
   - The purpose of the meeting is for the group chief financial officer to counter-sign the memo which is provided to the Audit and Risk Committee meeting on 24 August 2020, and subsequently to the mayor and chief executive to support their signing of the NZX preliminary announcement for the year ended 30 June 2020.

36. Final approvals:
   - On 24 August 2020, a meeting will be held with the Audit and Risk Committee to review and sign-off the NZX preliminary announcement and media release. Audit New Zealand will provide a verbal clearance at that meeting.
Audit and Risk Committee
26 May 2020

Item 13

• A meeting is then held by the group chief financial officer and group financial controller with the chair and deputy chair of the Finance and Performance Committee (under delegated authority by the Financial and Performance Committee meeting in December 2019). At this meeting, the chair and deputy chair recommend that the mayor and chief executive sign-off the NZX preliminary announcement and media release.
• A meeting is then held with the mayor and chief executive who are asked to sign-off the NZX preliminary announcement and media release. The group financial controller provides:
  ○ a memo to the mayor and chief executive discussing CCO letters of representation and any issues arising from the letters, Audit New Zealand’s verbal clearance, and management confirmations (a draft, based on last year’s memo, is attached to the confidential report as Attachment B)
  ○ the NZX preliminary announcement and media release
  ○ Legal Services team’s legal compliance sign-off
  ○ a back-to-back letter of representation for the NZX preliminary announcement.

37. The NZX preliminary announcement and media release are made public within 30 days of year end.

Annual report and summary annual report preparation process

38. Volumes 1 and 2 of the annual report and the summary annual report are prepared by the council’s Corporate Performance and Reporting and Financial Control teams.

39. Volume 3 of the annual report (financial statements) is prepared by the Financial Control team.

40. The annual report and summary annual report (annual reports) follow a sign-off process:
   • The group treasurer reviews the annual reports and, after all comments are incorporated, provides a sign-off.
   • The group chief financial officer reviews the annual reports and, after all comments are incorporated, provides a sign-off.
   • Mayne Wetherell and the council’s Legal Services team review the annual reports for compliance with legislation and the appropriateness of disclosure of legal matters such as legal contingencies. A legal compliance is provided once any issues have been resolved.
   • On 15 September 2020 an Audit and Risk Committee meeting is held for the committee to recommend the annual reports to the Governing Body for adoption.
   • On 17 September 2020, the Finance and Performance Committee meeting is held to review the financial performance of the group and recommend the annual reports to the Governing Body.
   • On 24 September 2020, the Governing Body approves the annual reports.
   • On 28 September 2020, Audit New Zealand issues their Independent Auditors’ Report, and the annual reports, accompanied by a media release, are made public via the NZX.

Quality assurance and compliance approvals

41. Quality assurance reviews are performed on the consolidated results and commentary and the year end reporting. The reviews focus on accuracy, completeness and reasonableness of disclosures, legislative compliance and adherence to Auckland Council communications standards. A summary of the reviews is as follows:
All the technical quality assurance reviewers performing reviews from a financial perspective are qualified Chartered Accountants (CA) or Certified Practicing Accountants (CPA) and have the appropriate technical accounting skills and knowledge.

Trust lens reviews are performed on the Annual Reports to ensure that we are telling a fair and balanced story, that good news stories are truthful and accurate and the poor performance stories are honest and transparent. They review the overall story for consistency through all volumes.

Management representation letters and management confirmations

Audit New Zealand will require the mayor and chief executive to sign a letter providing assurance that the control environment adequately supports the validity, accuracy and completeness of financial reporting, and that the financial statements comply with applicable standards and regulations (a draft, based on last year’s letter, is attached to the confidential report as Attachment C).

To support the mayor and the chief executive’s representations, the group chief financial officer, group treasurer and the group financial controller will sign back-to-back representation letters (drafts, based on last year’s letters, are attached to the confidential report. Attachment D is for the preliminary release and Attachment E is for the annual report release).
Representation letters

46. On a semi-annual basis the Financial Control team obtains representation letters from management of the key CCOs and Ports of Auckland Limited. These letters provide assurance over the financial information, including assurance that the financial information:

- complies with generally accepted accounting practices, including the New Zealand Public Benefit Entity International Public-Sector Accounting Standards

47. Representation letters are obtained in short and long form.

- Short form representation letters are received at the same time as group reporting packs and are signed by the relevant organisation’s chief financial officer. They contain summarised representations.
- Long form representation letters are received closer to finalisation of the preliminary NZX release and are signed by the chairs of the board/audit committee and chief executive officers. They contain detailed representations including a summary of uncorrected misstatements.

Other matters

48. During the year end process, should any significant risks or material judgements arise, or if there are unresolved significant disagreements between Auckland Council management and Audit New Zealand, the group financial controller will communicate these to the chair between committee meetings.

Draft representation on fraud and fraud questionnaire

49. Audit New Zealand make formal enquiries of the Audit and Risk Committee, senior management and the Internal Audit department of Auckland Council in relation to fraud using a fraud questionnaire. The questionnaire covers risk assessment, monitoring controls, mitigating systems and controls, risk communication and the assessment of fraud risk.

50. The committee formally respond to these enquiries in writing. The representations made are supported by questionnaires completed by senior management and Assurance Services.

51. The questionnaire has not changed from prior years and will be presented in draft to the committee at the 24 August 2020 committee meeting.

Tauākī whakaaweawe āhuarangi

Climate impact statement

52. This report relates to a financial reporting process and disclosures only and as such has no climate implications. Information relating to the Auckland Council Group’s climate impact will be included in the annual report and summary annual report.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera

Council group impacts and views

53. Feedback will be sought from substantive CCOs, Ports of Auckland Limited and City Rail Link Limited to ensure that any matters that apply to them have been considered in preparation for the annual report and summary annual report. All matters have been incorporated into the work plan.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe

Local impacts and local board views

54. Local boards will assist in the preparation of the local board content in Volume 2 of the annual report and will review their performance information for accuracy and validity.
Tauākī whakaaweawe Māori
Māori impact statement
55. The report does not affect the achievement or reporting on the council or group’s contributions towards Māori outcomes. The contributions to Māori outcomes are reported in the annual report.

Ngā ritenga ā-pūtea
Financial implications
56. There are no financial implications directly arising from the information contained in the report as no financial decision is sought.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
57. Risks and mitigations relating to the year end reporting and audit requirements are discussed in the confidential item “Auckland Council Group’s 30 June 2020 year end reporting and audit requirements”.

Ngā koringa ā-muri
Next steps

- Year end
  - 30 Jun

- AC, POAL and CCO reporting packs completed with audit sign off
  - 29 Jul

- Audit NZ verbal clearance on preliminary NZX release
  - 21 Aug

- Audit and Risk Committee meeting
  - 24 Aug

- Preliminary release to NZX
  - 28 Aug

- Audit NZ verbal clearance on annual aeports
  - 9 Sep

- Audit and Risk Committee meeting
  - 15 Sep

- Finance and Performance Committee meeting
  - 17 Sep

- Governing Body approves annual reports
  - 24 Sep

- Audit NZ provide signed audit opinion
- Release annual reports to the NZX and the public
  - 25 Sep
Open discussion on the Auckland Council Group's 30 June 2020 year end reporting and audit requirements
The Deputy Auditor-General's Report to management for the six months to 31 December 2019

File No.: CP2020/05819

Te take mō te pūrongo
Purpose of the report
1. To summarise the matters identified by Audit New Zealand on behalf of the Deputy-Auditor General during the review engagement for the six months ended 31 December 2019 and management's response.

Whakarāpopototanga matua
Executive summary
2. The Deputy Auditor-General is Auckland Council and Auckland Council Group’s external auditor, appointed by the Auditor-General to conduct the audit on his behalf. He uses his staff and his appointed auditor’s staff (Audit New Zealand) to review the statutory financial and performance reporting, and the internal controls on which it is reliant.

3. On a semi-annual basis, the Deputy Auditor-General provides a report to management which outlines areas in which internal controls and disclosures can be improved. The report issued, following the 31 December 2019 review of the group’s interim report, is attached (Attachment A).

4. Key recommendations were:
   - improve processes over capitalisation and impairment of work in progress
   - consider accounting disclosures for Eden Park Trust loan restructure
   - progress work to obtain assurance that the controls in place over Regional Fuel Tax revenue and rebates at NZTA are sufficient
   - consider timely capitalisation, accurate classification, fairness of valuation and disclosure of restrictions in relation to America’s Cup 36 assets
   - review year-end processes to ensure completeness of vested assets.

5. Auckland Council accepts the recommendations and has provided a response outlining our actions being taken to address these matters.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) note the matters identified in the Deputy Auditor-General’s review engagement report to management, for the six months ended 31 December 2019, and management’s responses.

Horopaki
Context
6. This report summarises the matters identified by Audit New Zealand and the Deputy Auditor-General during their review engagement for the six months ended 31 December 2019 and outlines how Auckland Council management is addressing those matters.
Tātaritanga me ngā tohutohu  
Analysis and advice

7. Audit New Zealand and the Deputy Auditor-General, on behalf of the Auditor-General, conducted a review of the 31 December 2019 Auckland Council Group interim report. A review engagement provides a moderate level of negative assurance in which the auditor states that nothing has come to his attention that causes him to believe that the interim report does not fairly reflect the Auckland Council Group’s financial position, performance and cash flows for the six-month period. This level of assurance is at a lower level than that of an audit.

8. Following the review engagement, the Deputy Auditor-General issued a report to management outlining internal control and disclosure matters identified during the engagement.

9. The report confirms that the review went smoothly with the timely delivery of the information and effective communication.

10. The report includes an uncorrected financial misstatement related to hedge accounting. This misstatement first arose in the 2013/2014 financial year. It relates to the release of hedge accounting balances which should have been amortised. The misstatement will continue to arise until the amortisation period has come to an end, which is approximately nine years. Management does not consider this misstatement to be material to the financial report and accordingly, has not corrected it.

11. Key recommendations in the report include:

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Quality and timeliness of information - Management should consider how input into key documents can be completed sooner</td>
<td>We continue to look for efficiencies through better planning and early involvement of stakeholders</td>
</tr>
<tr>
<td>2. Accounting for impairment and capitalisation of work in progress - Systems and processes need improvement to ensure timely capitalisation of assets</td>
<td>In the prior year we had staff vacancies and absences. Since January 2020 we have had our full complement of staff in the assets team. We have reviewed our processes and are now working more closely with project managers and departments to ensure we identify assets to be capitalised on a timely basis. This has resulted in a significant increase in the amount capitalised.</td>
</tr>
<tr>
<td>4. Regional Fuel Tax - Assurance should be obtained over NZTA’s controls in relation to Regional Fuel Tax revenue and rebates</td>
<td>Management is working with Audit New Zealand, NZTA and their auditors to determine the best way to get adequate and appropriate assurance.</td>
</tr>
<tr>
<td>5. America’s Cup assets - In relation to America’s Cup assets, management should: o Ensure timely capitalisation o Consider impairment o Consider accounting classification</td>
<td>America’s Cup assets mainly comprise infrastructure and would follow the same capitalisation and classification process as other assets. The assets are not solely for use in America’s Cup, so will be assessed as part of the general impairment review.</td>
</tr>
</tbody>
</table>
**Audit and Risk Committee**  
26 May 2020

- Consider accounting for events management contracts
- Consider additional disclosures such as restrictions over the assets

<table>
<thead>
<tr>
<th>Item 14</th>
<th>The 2019/2020 annual report will include disclosures in relation to the restrictions on America’s Cup assets and related party transactions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Vested assets - Management should determine whether additional assurance can be obtained over completeness of vested assets</td>
<td>Management will review its vested asset processes to determine if additional assurance can be obtained regarding the completeness of assets vested.</td>
</tr>
</tbody>
</table>

**Tauākī whakaaweawe āhuarangi**  
Climate impact statement
12. There are no items covered by this agenda item that impact on climate change.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**  
Council group impacts and views
13. There are no items covered by this agenda item that impact the Auckland Council Group so the views of group entities have not been sought.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**  
Local impacts and local board views
14. There are no issues relating to reporting at a local board level. Accordingly, the views of local boards have not been sought.

**Tauākī whakaaweawe Māori**  
Māori impact statement
15. The report does not affect the achievement of or reporting on the Auckland Council Group’s contributions towards Māori outcomes.

**Ngā ritenga ā-pūtea**  
Financial implications
16. There are no financial implications directly arising from the information contained in this report.

**Ngā raru tūpono me ngā whakamaurutanga**  
Risks and mitigations
17. Auckland Council is actively addressing the issues raised. We have assessed the matters will not impact on the audit opinion of the Auckland Council Group’s 2019/2020 annual report.

**Ngā koringa ā-muri**  
Next steps
18. Auckland Council will continue to work with the auditors to ensure they are satisfied with the intended annual report disclosures.
# Ngā tāpirihanga

## Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Review engagement management report 31 December 2019</td>
<td>127</td>
</tr>
</tbody>
</table>

## Ngā kaihaina

### Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Tracy Gers - Group Accounting &amp; Reporting Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Francis Caetano - Group Financial Controller</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorisers</th>
<th>John Bishop - Group Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kevin Ramsay - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Report to the Council

Auckland Council Review Engagement

For the six month period ended 31 December 2019
## Contents

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<td>8</td>
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<td>17</td>
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<td>Appendix 2: Disclosures</td>
<td>20</td>
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</tbody>
</table>
Key messages

I have completed the review of the Auckland Council Group’s (the Group’s) interim financial statements for the six months ended 31 December 2019. This report sets out my findings from the review engagement.

Independent reviewer’s report

I issued an unmodified independent reviewer’s report dated 28 February 2020. This means that nothing has come to my attention that causes me to believe that the interim financial statements do not present fairly the Group’s activity for the six months and its financial position as at 31 December 2019.

Matters identified during the engagement

We dealt with a number of technical matters during the review engagement, including:

- the impact of the new Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAs) 34-38;
- the Eden Park Trust (EPT) loan restructure; and
- the transfer of assets from City Rail Link Limited (CRL) to Council and the Crown.

We have assessed that there are no additional entities that the Council controls as a result of the changes to accounting standards. The new standards do introduce additional disclosure requirements that Council will need to consider when preparing the 30 June financial statements.

In September 2019 the $40 million EPT ASB loan was assigned to, and repaid by, the Group. The Group consolidated all loans with EPT (including the ASB loan repayment) into one $54 million facility for EPT, on normal commercial terms. Approximately $10 million of the facility was undrawn at 31 December 2019 and the Council needs to consider the accounting implications of this undrawn amount which will depend, amongst other things, on the likelihood that EPT will use these funds.

We have been considering the accounting treatment for the transfer of assets from CRL to the Council and the Crown. Until the Council, CRL and the Crown agree on the nature of any asset distribution, Council is recognising 50% of the work-in-progress balance held by CRL as an investment in the joint venture. Once a draft transfer agreement is prepared Council will be able to consider the accounting implications.

Exposure to liabilities from leaky home claims remains a significant issue for the Council due to the high incidence of historical claims in the Auckland region. The number of new claims is dropping with no new significant notifications in the last six months.

Refer to Appendix 1 for the summary of our recommendations.
Thank you

I would like to thank the Council, management and staff for their assistance during the review engagement.

Greg Schollum
Deputy Auditor-General
5 May 2020
1 Independent reviewer’s report

1.1 Unmodified independent reviewer’s report

I issued an unmodified independent reviewer’s report on 28 February 2020. This means that nothing has come to my attention that causes me to believe that the Group’s interim financial statements do not comply with generally accepted accounting practice or present fairly the Group’s activity for the six months and its financial position as at 31 December 2019.

The Group is comprised of the following significant components:

- The Auckland Council (Council);
- three significant Council Controlled Organisations (CCOs) – Auckland Transport (AT), Watercare Services Limited (Watercare) and Regional Facilities Auckland (RFA);
- less significant and minor CCOs;
- Ports of Auckland Limited (POAL) – 100% Council-owned entity;
- City Rail Link Limited (CRL), which is a joint venture between the Council and the Crown; and
- Auckland International Airport Limited (AIAL), which is an associate that the Council has a 21.99% share in.
1.2 Uncorrected misstatements

We have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed below, along with management’s reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

<table>
<thead>
<tr>
<th>Current year uncorrected misstatements</th>
<th>Reference</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Dr (Cr) $m</td>
<td>Dr (Cr) $m</td>
<td>Dr (Cr) $m</td>
</tr>
<tr>
<td>Hedge accounting</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr OCI(^1) (to flow through to Equity): cash flow hedge reserve</td>
<td></td>
<td>-</td>
<td>-</td>
<td>$6,265</td>
</tr>
<tr>
<td>Cr Fair value adjustment to debt</td>
<td></td>
<td>-</td>
<td>($5,177)</td>
<td>-</td>
</tr>
<tr>
<td>Cr Other gains and losses: derivatives fair value movement</td>
<td></td>
<td>-</td>
<td>-</td>
<td>($1,088)</td>
</tr>
</tbody>
</table>

**Explanation of uncorrected misstatements**

1. Hedge accounting: This entry corrects the immediate release of hedge accounting balances that should be amortised to the surplus/(deficit) over the life of the instrument. This is not adjusted as management believes it is not material to the readers, and the costs associated with maintaining accounting records and disclosures for this balance outweigh any benefit. The amount of this unadjusted error is reducing over time.

1.3 Quality and timeliness of information provided for review

We agreed in advance with management the information we would need to review the interim financial statements. This included the draft interim financial statements with supporting working papers.

Overall, the required information for our review was delivered in a timely manner. Assistance from staff, together with appropriate supporting work papers, ensured our review process could be carried out efficiently. Regular meetings with the Financial Control team also contributed to effective communication and up-to-date knowledge of key matters arising.

\(^1\) Other Comprehensive Income
Management has quality control processes in place over information provided for audit, but these processes were not always completed on time by key members of senior management prior to our review. As a result, we reviewed multiple versions of the interim report, media release and NZX announcements which were changing as further comments were received from senior management.

We discussed this with management following completion of the review engagement and recommended that the Council considers how input into key documents be completed by key management sooner to reduce the iterations from reviewer to reviewer. The objective is to ensure the documents provided to audit are delivered on time and have had sufficient input from all the key staff.
2 Matters of Review Engagement Focus

In our Review Engagement Letter dated 17 December 2019, we identified the following matters as the main areas of review focus:

2.1 Control environment

We updated our understanding of the control environment to assess whether appropriate controls remained in place and whether there were any significant changes to the control environment since our 30 June 2019 audit. This was based on enquiries of management and walkthroughs of the relevant systems to confirm our understanding.

Our review encompassed the overview aspects of the control environment, including:

- control consciousness and culture;
- governance structures and mechanisms;
- risk management;
- financial planning, reporting and monitoring;
- information systems environment; and
- legislative compliance monitoring and reporting.

We also reviewed the adequacy of internal controls over the following key financial systems:

- Expenditure;
- Payroll;
- Revenue;
- Fixed Assets;
- Treasury (including accounting for derivatives); and
- General ledger reconciliations and journals.

As a result of this work on internal controls, nothing has come to our attention that would indicate controls have changed significantly, or are not operating, since our 30 June 2019 audit.
We maintained an awareness of the risks of management override and fraud as we carried out our review procedures which included a review of the relevant controls and analytical review procedures.

In previous audits we noted one matter in relation to credit balances on debtor accounts that remains unresolved.

2.2 Credit balances on debtor accounts (previously referred to as unallocated receipts)

The Council continues to hold significant credit balances in debtors. This is primarily made up of unallocated (non-rates) receipts that have not been matched against an invoice.

At 30 June 2019 there were credit balances on debtor accounts of $19 million. A similar balance existed at 31 December 2019. As these credit balances do not impact the statement of comprehensive revenue and expenditure and are appropriately recognised as a liability we are satisfied they are appropriately recognised within the Group’s interim financial statements.

The Council has a project team in place to clear these balances and review and amend business processes to prevent the build-up of credit balances in the future.

We will follow up on progress in our next interim visit for the 30 June 2020 annual audit.

2.3 Valuation of property, plant and equipment

2.3.1 Fair value assessment of fixed assets

Public Benefit Entity International Public Sector Accounting Standard 17 (PBE IPSAS 17), Property, Plant and Equipment (PPE), requires that valuations are carried out with enough regularity to ensure that the carrying amount recorded in the Group’s financial statements does not differ materially from fair value.

The Group revalues each class of property, plant and equipment being carried at fair value on a cyclical basis. Revaluations are performed in intervening years if there is an indication the fair value of the asset class is significantly different to its carrying value.

We reviewed management’s assessment of whether there were material differences between the carrying value and fair value of the Group’s fixed assets as at 31 December 2019. This assessment covered the Council, as well as the significant components.

Management’s fair value assessment, is that the value of property, plant and equipment across the Group has moved by approximately 2% since the last revaluation. This was not considered a material movement and was therefore not recognised in the interim financial statements.
2.3.2 Classification and valuation of investment property

The Council needs to ensure investment properties are properly classified, and valued in the financial statements in accordance with PBE IPSAS 16: *Investment Property*.

The Group’s investment property is revalued at 30 June each year and revaluations are only performed at half year if there is an indication the fair value has moved significantly. The Council assessed that these properties had not moved by a material amount (estimated to be $6 million for the six months since 30 June 2019). As a result, no valuation was completed.

2.3.3 Accounting for impairment and capitalisation of work in progress

Assets held at cost are required to be assessed for indicators of impairment on an annual basis. In addition, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.

We assessed the processes used by the Council and Group to assess for impairment, including any indications of impairment of all significant WIP balances. No significant impairment of asset classes was identified.

We noted some instances where WIP had not been capitalised in a timely manner for assets held by the Council and Auckland Transport. As this does not have a direct impact on the face of the statement of financial position there is no impact to the Group interim report.

We continue to recommend that the Council puts systems and processes in place to ensure timely capitalisation of assets. This is to ensure that depreciation and amortisation are appropriately recorded in the interim period.

2.4 Valuation of derivatives

The Group uses a number of different types of derivative financial instruments to mitigate risks associated with foreign currency and interest rate fluctuations that affect the Group’s debt. There is a level of judgement required when valuing these derivatives and a level of sensitivity around the assumptions and rates used in the valuation. A small market movement in interest rates and foreign exchange rates can have a significant effect on the value of the derivatives and the consequential unrealised gain or loss that is recognised in the financial statements.

We have updated our understanding of the systems and processes for valuing and accounting for financial instruments by the Council and Group.

We have reviewed the valuation of financial instruments and ensured the accounting treatment and disclosures in the interim financial statements are in line with the applicable accounting standards.
The Council used the integrity system to determine the valuation of the cross currency interest rate swaps (CCIRS) as at 31 December 2019. We obtained our own independent valuation for a sample of these instruments. As in prior years, our independent valuation of the Council's CCIRS continues to be different when compared to the Council's valuation. All significant differences were satisfactorily resolved for the purposes of the review engagement.

We also continue to report an immaterial unadjusted error relating to the accounting treatment of the de-designation of six cross currency interest rate swaps CCIRS and interest rate swaps (IRS) hedge accounting relationships in the 2013/14 financial year. The amount of this unadjusted error is reducing over time and has been reported in the schedule of uncorrected misstatements in section 1.2.

Management comment

_Council continues to apply a consistent approach in the valuation of all derivatives however given that different systems use different market data sources and the set-ups for valuations may be slightly different, we expect valuation differences._

2.5 Provisions

We updated our understanding of the Council's systems and processes for valuing and accounting for leaky building liabilities and other provisions. We also considered management's assessment of the effect of recent court cases.

We did not find any significant movements in provisions compared to the 30 June 2019 balances.

2.5.1 Weather tightness provision

Exposure to liabilities from leaky home claims remains a significant issue for the Council, due to a particularly high exposure in the Auckland region.

Management used an independent weather tightness actuary in its assessment of the provision for weather tightness liabilities as at 31 December 2019. Updated estimates of active claims were also provided by the Council's external legal experts and confirmed by the Council legal team. We reviewed the actuary's valuation report and met with the actuary to gain an understanding of the processes used.

We assessed the reasonableness of the weather tightness provision, including the significant movements during the period. As part of this review, we updated our understanding of the processes undertaken by the Council to assess the reasonableness of remediation cost estimates for specific active claims.

The weather tightness provision has increased since 30 June 2019 by $3.8 million to $242 million. The movement is a result of an increase in existing provisions by $38 million which is partly offset by reversals of $17 million. Additionally Auckland Council has paid $18 million, during the period to settle claims.
We continue to see movement in the provision due to individual multi-unit claims as these progress towards completion, informed by actual remediation costs (where the work has already been done), revised amounts claimed, and whether other parties (for example, construction companies) involved in the claim continue to exist. However, the number of new claims is significantly dropping off with no new notifications in the last six months.

Nothing came to our attention to indicate the weathertightness provision was not fairly stated at 31 December 2019.

### 2.6 Eden Park Trust (EPT) loan restructure

In prior years the Council provided a financial guarantee in relation to a $40 million ASB Bank Limited (ASB) loan to Eden Park Trust (EPT), this loan was due for repayment on 30 September 2019 and the guarantee had been fully provided for.

In September 2019 the $40 million EPT loan and other facilities with ASB were assigned to the Group under an assignment and termination agreement in consideration for the Group paying $40 million to ASB, which released the Group from any further obligations under the ASB guarantee. The Group then restructured the loan into a $54 million revolving cash advance facility which was provided to EPT on normal commercial terms.

At initial recognition, the Council recorded the fair value of the EPT loan as nil as it assessed that it was unlikely that EPT could repay the loan. As the Group had previously recognised a provision for the $40 million financial guarantee and a provision for doubtful debts against the $6.5 million community loan, the new loan arrangement had no significant impact on net assets during the six months to 31 December 2019. As at 31 December 2019 the outstanding balance on the revolving cash advance facility loan of $44 million had a carrying value of nil in the financial statements.

An amount of $10 million is undrawn from the $54 million facility at 31 December 2019. The Council needs to consider the accounting implications for this undrawn amount. The accounting will be impacted by the likelihood that EPT will use these funds, the implications of any conditions attached to its use, and the ability of the Trust to repay the amount if they draw on it.

We recommend that the Council considers how to account for this loan for the year-end financial statements and assesses the accounting treatment of the net repayment on the facility. The Council may wish to seek external advice in relation to this accounting.

### 2.7 Crown Funding Initiatives

#### 2.7.1 Housing Infrastructure Fund (HIF)

On 21 September 2018 the Crown announced its agreement with the Council to provide a 10-year interest free loan facility of up to $339 million to support infrastructure projects in Redhills and Whenuapai. We understand both parties have now signed the agreement. The loan facility with the Council is $136.3 million. The balance of the HIF funding
($202.7 million) is being dealt with directly between AT and NZTA under their existing funding arrangements.

The Council has yet to draw down any of the available loan funding. There was no impact on the interim financial statements.

2.7.2 Crown Infrastructure Partners

The Crown announced $600 million of network infrastructure for housing developments through Crown Infrastructure Partners Limited (CIP). One of the earliest projects assessed by CIP for investment is in Auckland North. On 24 October 2018, Auckland Council entered into several agreements with CIP, CIP subsidiaries, and Fulton Hogan to formalise a partnership to fund $91 million of bulk infrastructure to support the building of 9000 homes at Wainui. Council is committed to funding key transport infrastructure necessary for the development, as well as collecting infrastructure payments from landowners as an agent on behalf of CIP. We considered the Council’s accounting for this agency arrangement last year and agreed that Council only recognises the service fees it charges for acting as the collecting agent and does not account for the infrastructure payments collected and paid through to CIP.

We are still considering the accounting treatment of Council’s transport funding commitment but confirmed with management that there have been no transactions or other changes that would impact the 31 December 2019 interim financial statements.

2.7.3 Regional Fuel Tax

The Auckland Regional Fuel Tax (RFT) became collectable on 1 July 2018. New Zealand Transport Agency (NZTA) has set up a system to collect the tax, coordinate reimbursements, and pass the net tax onto the Council. During the 30 June 2019 audit we obtained a technical assessment confirming that Council’s accounting treatment is appropriate which includes recognising revenue at the point the taxable event occurs (supply of fuel). The balance of the reserve as at 31 December 2019 was $121 million.

For the interim financial statements the Council has been recognising revenue based on the net RFT collections (exclusive of rebates) remitted by NZTA. We have assessed the current accounting by the Council within the interim financial statements as reasonable. We have obtained independent confirmation from NZTA for the $80 million RFT revenue and the $28 million receivable balance as at 31 December 2019.

Reliance is placed on NZTA’s systems and internal controls, and the expectation that any material anomaly at NZTA will be picked up through NZTA’s system reviews and internal audits. Despite this further work is being planned by Council to gain comfort that the revenue and likely rebate claims are complete and accurate. The Council has started discussions with NZTA and their auditors and we expect this work to be completed to gain assurance over the completeness of this revenue for the 30 June 2020 audit.
We recommend that the Council progresses its work to obtain assurance that the controls in place over RFT revenue and rebates at NZTA are sufficient.

2.8 City Rail Link Limited

We are satisfied that the Council is appropriately accounting for its investment and capital commitment in CRLL within the interim financial statements. We noted that CRLL completed a contract for KiwiRail which specified that the assets would remain the property of KiwiRail. As a result, Council expensed its share of the KiwiRail assets held on CRLL’s balance sheet at 31 December 2019.

Council obtained an accounting opinion from PwC in relation to the accounting treatment for the transfer of assets from CRLL to the Council and Crown. However, any conclusion is on hold until a transfer agreement is drafted between CRLL, the Council and the Crown. Once this agreement is drafted we will consider Council’s accounting advice. This did not impact on the 31 December 2019 interim financial statements.

2.9 New accounting standards

2.9.1 Disclosure of interest in other entities and investment in associates and joint ventures

The new accounting standards, PBE IPSAs 34 to 38 are effective for financial years beginning on or after 1 January 2019. The Council considered the impact of these standards in preparing the Group interim report.

We have reviewed the Council Group’s assessment of the impact on the Group interim report. There are no additional entities noted that should be consolidated by the Council at this stage. Our assessment included the Auckland War Memorial Museum, the Museum of Transport and Technology and the Auckland Regional Amenities Funding Board. We are still considering the Council’s assessment on the Art Regional Trust Services, and the NZ Maritime Museum. We do not expect this to have a material impact on the Group interim report.

There are additional disclosure requirements in these standards that Council will need to consider when preparing the 30 June 2020 financial statements.

2.10 Treasury and funding management

The Council operates a centralised Treasury and Funding unit for itself and the substantive CCOs. Ports of Auckland continues to operate its own treasury function.

We have updated our understanding of the systems and processes for managing the treasury function (including borrowing and cash flow management) and valuing and accounting for financial instruments, borrowings and hedges at the Council and Group. No significant issues were identified.
2.11 Rates

To achieve full compliance with accounting standards, and in particular PBE IPSAS 23 Revenue from non-exchange transactions, the Council’s annual rates revenue is recognised from the date of issuing the rating notices for the 2019/2020 financial year, and appropriately discounted to fair value for rates instalments not yet due as at 31 December 2019.

We reviewed and confirmed that annual rates revenue has been correctly recognised in full from 1 July 2019, including a discount adjustment of $3.4 million for rates yet to be invoiced and received as at 31 December 2019. The discount has been applied to rates revenue and the rates receivable balance at 31 December 2019. This balance will amortise to nil by 30 June 2020 as the last two instalments fall due.

2.12 Management override of controls

We maintained an awareness for the risk of management override of controls as we performed our review procedures including controls assessment and analytical review. No instances of management override were noted.

2.13 Legislative compliance

The Council obtained confirmation from Mayne Wetherell Law that the form of the interim financial statements comply with the NZX requirements. From our high level review we are not aware of any areas of non-compliance other than the Credit Contracts and Consumer Finance Act breach related to the Retrofit programme. Refer to section 2.14.3 for more detail.

2.14 Other matters

During the review we noted the following other matters.

2.14.1 America’s Cup assets and contracts

Management provided us with an update on the America’s Cup project and related transactions and contractual commitments that impacted Group interim report. No significant issues were identified.

We note that the focus on the America’s Cup project is now changing from the infrastructure stage to the events management stage.

Over the period to year-end we expect there to be assets that are capitalised and new contracts being entered into for event management. Council obtained an accounting opinion from PwC during the 30 June 2019 annual report preparation process that included a number of recommendations around disclosure that we recommend the Council review prior to preparation of its 2020 annual report.
We recommend that the Council:

- ensures that the America's Cup assets are capitalised in a timely manner;
- considers whether there are any indicators of impairment of America's Cup assets at year-end;
- considers whether America's Cup assets should be accounted for as property, plant and equipment or investment property;
- considers the accounting treatment for new contracts related to events management entered into during the period; and
- considers any additional disclosures required to be included in the annual report, such as restrictions over certain assets and related party transactions.

2.14.2 Vested assets

We updated our understanding of the processes in place for the recognition of vested assets and requested some clarification from Council as to when vested assets are supposed to be recorded in the Council's general ledger. Our view is that Council should recognise the asset when substantially all the rights and obligations associated with the asset are transferred to Council.

We recommend that the Council reviews its year-end accounting processes to determine if additional assurance can be obtained regarding to the completeness of the assets vested.

2.14.3 Retrofit Your Home programme

In February 2020 Council informed us that it had breached the Credit Contracts and Consumer Finance Act 2003 in relation to the Retrofit Your Home programme. This was due to interest rates not being adjusted in the Council systems and documentation compliance issues. The Council has disclosed this breach to the Commerce Commission and is working with the Commission to ensure the matter is rectified.

The Council has made a provision of $7 million and included disclosure which relates to the expected refunds of interest. We understand that management is considering the implications of the breach as part of a detailed review of the programme. Nothing has come to our attention to indicate that the provision and disclosures are not appropriate.
## Appendix 1: Summary of Recommendations

<table>
<thead>
<tr>
<th>Sector reference</th>
<th>Recommendation</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3</td>
<td>Quality and timeliness of information provided for audit</td>
<td>We continue to look for efficiencies through better planning and early involvement of stakeholders.</td>
</tr>
<tr>
<td></td>
<td>We recommend that the Council considers how input into key documents may be completed sooner to reduce the iterations from reviewer to reviewer. The objective is to ensure the documents provided to audit are delivered on time and have had sufficient input from all the key members of management.</td>
<td></td>
</tr>
<tr>
<td>2.3.3</td>
<td>Accounting for impairment and capitalisation of work in progress</td>
<td>From January 2020 we have our full complement of staff in the assets team. We have looked at our processes and are now working more closely with project managers and departments to ensure we identify assets to be capitalised on a timely basis. This has resulted in a significant increase in the amount capitalised in February 2020.</td>
</tr>
<tr>
<td></td>
<td>We continue to recommend that the Council puts systems and processes in place to ensure timely capitalisation of assets. This is to ensure depreciation and amortisation are appropriately recorded in the interim period.</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>Eden Part Trust (EPT)</td>
<td>Management is currently assessing loan commitment accounting for the Eden Park Trust loan.</td>
</tr>
<tr>
<td></td>
<td>We recommend that the Council considers the loan commitment accounting for the year-end financial statements and assesses the accounting treatment of the net repayment on the facility. The Council may wish to seek external advice on the loan commitment accounting.</td>
<td></td>
</tr>
<tr>
<td>2.7.3</td>
<td>Regional Fuel Tax</td>
<td>Management is working with Audit New Zealand, NZTA and their auditors to determine the best way to get adequate and appropriate assurance over RFT revenue.</td>
</tr>
<tr>
<td></td>
<td>We recommend that the Council obtains assurance that the controls in place over RFT revenue and rebates at NZTA are sufficient.</td>
<td></td>
</tr>
<tr>
<td>Sector reference</td>
<td>Recommendation</td>
<td>Management comment</td>
</tr>
<tr>
<td>------------------</td>
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</tbody>
</table>
| 2.14.1           | **America’s Cup assets and contracts**  
We recommend that the Council:  
- ensures that the America’s Cup assets are capitalised in a timely manner;  
- considers whether there are any indicators of impairment of America’s Cup assets at year-end;  
- considers whether America’s Cup assets should be accounted for as property, plant and equipment or investment property;  
- considers the accounting treatment for new contracts related to events management entered into during the period; and  
- considers any additional disclosures required to be included in the annual report, such as restrictions over certain assets and any related party transactions. | **America’s Cup assets mainly comprise infrastructure, that is, breakwaters, seawall, dredging. There is also berthing and site preparation works. There is no difference between these assets than any other assets of the Council and will follow the same process for capitalisation.**  
None of the assets being constructed are only for use in the America’s Cup race, so impairment processes applied to all other assets would apply to these assets. Our year end impairment review would cover these assets.  
Our existing processes for consideration of classification of assets will cover the America’s Cup assets on completion.  
**Management will provide accounting assistance in relation to any significant, complex events management contracts.**  
The 2019/2020 annual report will include disclosures in relation to the restrictions on America’s Cup Assets and related party transactions. |
<table>
<thead>
<tr>
<th>Sector reference</th>
<th>Recommendation</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.14.2</td>
<td><strong>Vested assets</strong>&lt;br&gt;We recommend that the Council reviews its year-end accounting processes to determine if additional assurance can be obtained regarding to the completeness of the assets vested.</td>
<td><strong>The Council will review the existing vested asset processes to determine if additional assurance can be obtained regarding the completeness of the assets vested.</strong>&lt;br&gt;To clarify the vesting process the Council recognises the vesting of assets (for residential developments this may be at the time the (Resource Management Act) section 224 consent (224c) is issued). For residential developments the 224c is only issued once council has received the following:&lt;br&gt;- As-built plans pdf file.&lt;br&gt;- Statement of Certification Engineering Approval – signed by the Engineer.&lt;br&gt;- Schedule of Land and Assets to Vest in Council – signed by developers Engineering Consultant.&lt;br&gt;- The Certificate of Acceptance signed by a Watercare representative (For those which include an element of Water / Wastewater only).&lt;br&gt;Prior to the month end in which the above documents are received Finance receive the above information before the Engineering Approval Completion Certificate (EACC) and 224c is issued. Before month end close Council record the vested assets in the financial system.</td>
</tr>
</tbody>
</table>
## Appendix 2: Disclosures

<table>
<thead>
<tr>
<th>Area</th>
<th>Key messages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our responsibilities in conducting the review engagement</td>
<td>I am responsible for issuing an independent review report on the interim financial statements and reporting to you. The review of the interim financial statements does not relieve management or the Council of their responsibilities. The Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the reviewer and the Council.</td>
</tr>
<tr>
<td>Review engagement standards</td>
<td>Our review has been carried out in accordance with with NZ SRE 2410: Review of Financial Statements Performed by the Independent Auditor of the Entity issued by the External Reporting Board. The engagement was a limited assurance engagement and our work was limited primarily to enquiries of Auckland Council and Auckland Council Group’s personnel responsible for financial and accounting matters, and applying analytical and other review procedures. The review engagement cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</td>
</tr>
<tr>
<td>Auditor independence</td>
<td>I confirm that, for the review of the Group’s interim financial statements for the six months ended 31 December 2019, I have maintained my independence in accordance with the requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board. In addition to this review I, or my appointed auditors, have carried out a range of other assurance engagements. Other than the other assurance engagements, and in exercising functions and powers under the Public Audit Act 2001 as the auditor of all public entities, I have no relationship with, or interests in, the Council or Group.</td>
</tr>
<tr>
<td>Fees</td>
<td>The audit fee for the Review Engagement is $121,816 (GST exclusive) plus disbursements, as detailed in our Review Engagement Letter.</td>
</tr>
<tr>
<td>Other relationships</td>
<td>I am not aware of any situations where a spouse or close relative of a staff member involved in the review engagement occupies a position with the Council or Group that is significant to the engagement.</td>
</tr>
</tbody>
</table>
Assurance process for the Annual Green Bond Report 2020

File No.: CP2020/05941

Te take mō te pūrongo
Purpose of the report
1. To provide the Audit and Risk Committee with details of Auckland Council’s assurance process for the Annual Green Bond Report 2020.

Whakarāpopototanga matua
Executive summary

3. Under the framework, the council is required to report annually on the use of proceeds from green bond issuance and the environmental outcomes delivered by the assets/project. The council is also required to seek assurance from an independent assurer.

4. The council published its first Annual Green Bond Report in June 2019 with assurance undertaken by EY. The council has again appointed EY to provide independent assurance for the 2020 report.

5. This paper provides the committee with insights into the assurance process to be followed in the preparation and finalisation of the Annual Green Bond Report 2020.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) note that EY has been appointed independent assurer for Auckland Council’s Annual Green Bond Report 2020

b) note the assurance process that EY will follow in relation to this report

c) note that the draft Annual Green Bond Report 2020 will be presented to this committee for approval in September 2020.

Horopaki
Context
6. A green bond is defined as a bond issued to finance or refinance projects or assets that deliver positive environmental outcomes.

7. Auckland Council established a Green Bond Framework in early 2018 which was subsequently updated in April 2019 (Attachment A).

8. The framework addresses how the proceeds from the bond will be used, the process of evaluation and selection of projects and assets (eligible assets), management of the proceeds and reporting.

9. Examples of projects and assets that can be funded via green bonds are low carbon transport assets (i.e. electric trains, public walking and cycling infrastructure etc), sustainable water and wastewater management, waste management, low carbon and efficient buildings.
10. To ensure robust assessment of the framework and the underlying eligible assets in any green bond issuance, the council may seek to employ one or more external review options. These include the option to seek assurance from an independent assurer and/or certification from the Climate Bonds Initiative or Climate Bond Standards.

11. Under the framework, the council is required to report annually on the use of proceeds and provide a summary of the environmental outcomes that have been delivered by the assets/projects.

12. The council has issued green bonds in June 2018 and July 2019 since the establishment of the framework. The value of green bonds issued to date is $350 million.

13. The proceeds from the green bonds have been used to refinance borrowings deemed to be attributed to electric trains and public cycleway assets.

14. The first Annual Green Bond Report was published in June 2019 (Attachment B).

**Tātaritanga me ngā tohutohu
Analysis and advice**

15. Over the last year, the council has increased the green bond eligible asset pools to over $2 billion to include water and wastewater assets, office building and public transport assets (including City Rail Link). The council’s eligible asset pool now includes assets that qualify under Green Bond Principles and Climate Bonds Initiative.

16. EY has been engaged to provide limited assurance on whether anything has come to their attention that the green bonds issued by the council do not continue to meet the requirements of the Climate Bonds Standard and Green Bond Principles, and relevant criteria in all material respects.

17. EY’s assurance approach will be conducted in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information (‘ISAE (NZ) 3000’).

18. EY’s assurance approach will be divided into three stages, the brief timeline is as follows:

<table>
<thead>
<tr>
<th>Milestone/Service</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document request submitted to data owners</td>
<td>12 June 2020</td>
</tr>
<tr>
<td>Obtain requested data from data owners</td>
<td>31 July 2020</td>
</tr>
<tr>
<td>Stage 1: Planning, Risk Identification &amp; Assessment, and Strategy</td>
<td>7 August 2020</td>
</tr>
<tr>
<td>Stage 2: Execution</td>
<td>21 August 2020</td>
</tr>
<tr>
<td>Stage 3: Issue Assurance Report</td>
<td>31 August 2020</td>
</tr>
</tbody>
</table>

19. EY’s assurance report will include the scope and procedures, limitations of their work, and conclusion based on the outcomes of the engagement.

20. The Annual Green Bond Report 2020 is expected to follow the same form as used in the 2019 report, with advice from EY on best practice principles to make further improvements to the report.

21. The draft Annual Green Bond Report 2020 will be presented to the Audit and Risk Committee for approval in September 2020 before it is published.
22. The Annual Green Bond Report 2020 will enhance the council’s transparency around funding for climate related activities and the associated environmental outcomes. The report will include an impact assessment, disclosing relevant information pertaining to the environmental and social benefits of the green bonds issued in the years prior. The impact assessment will provide measurement of the impact on greenhouse gas emissions and any broader benefits, where applicable. The disclosure of this data will be assured by EY as part of this process.

23. While the green bonds are raised for a variety of environmental projects across the group, the assurance process is managed by Auckland Council, and so no group view is required.

24. Debt raising and associated processes are undertaken at the Governing Body level and have no direct impact on local boards.

25. While the green bonds are raised for a variety of environmental projects of interest to Māori, this report is dealing the administrative process around providing assurance and so has no direct impact on Māori.

26. The assurance costs and the cost of publishing the Annual Green Bond Report 2020 will range between $15,000 and $20,000. These costs will be met within existing budgets.

27. The EY assurance report is confirmation that the council is complying with its obligation under the Green Bond Framework and bond issuance documentation.

28. 
- Auckland Council staff prepare the draft Annual Green Bond Report 2020
- EY review the draft report and provide their limited assurance
- The Audit and Risk Committee review and approve the report
- The Annual Green Bond Report 2020 is published and released to the market.
Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Green Bond Framework - updated 4 April 2019</td>
<td>153</td>
</tr>
<tr>
<td>B</td>
<td>Annual Green Bond Report 2019</td>
<td>159</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th></th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author</td>
<td>Andrew John - Treasury Funding Manager</td>
</tr>
<tr>
<td>Authorisers</td>
<td>John Bishop - Group Treasurer</td>
</tr>
<tr>
<td></td>
<td>Kevin Ramsay - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
4 April 2019

Auckland Council Green Bond Framework

Section 1: Overview

1. Purpose

This paper sets out how Auckland Council proposes to issue and manage its Green Bonds on an ongoing basis (the Framework). Green Bonds are defined in this Framework as bonds issued to finance projects or assets that deliver positive environmental outcomes or refinance corporate debt that supports these projects or assets. This includes assets categorised under the Green Bond Principles ("GBP") as well as certain criteria for these assets, as set out by the Climate Bonds Initiative ("CBI"), where available. Eligibility criteria are set out in the Use of Proceeds section.

Auckland Council has developed the Framework in line with the International Capital Market Association ("ICMA") Green Bond Principles 2017, and as such, adopts the four core pillars as follows:

1. Use of Proceeds;
2. Process for Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

The GBP are voluntary process guidelines that are accepted as one of the main guidelines for issuance of Green Bonds in the capital markets globally.

2. Introduction to Auckland Council

Auckland Council's role is to deliver the services and infrastructure required for Auckland to grow into a more prosperous region, one that gives a voice to our communities and is a great place to live, visit and invest. Auckland Council represents approximately 1.6 million people stretching from Waiuku in the north to Franklin in the south. In addition to providing essential infrastructure, council is responsible for collecting rubbish, maintaining and developing parks and reserves, running public libraries, swimming pools and recreation centres, and providing services such as building and resource consents, dog registrations and liquor licensing.

The activities of the Auckland Council are framed by the Auckland Plan (www.aucklandplan.govt.nz), our long-term spatial plan to ensure Auckland grows in a way that will meet the opportunities and challenges of the future. The Auckland Plan sets the strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives. The Auckland Plan looks ahead to 2050 and considers how we will address our key challenges of high population growth, shared prosperity and environmental degradation. The objective of Green Bond issuance by Auckland Council is to raise capital for specific projects that support the achievement of the Auckland Plan.

3. External review

To ensure robust assessment of the Framework and the underlying Eligible Assets in any Green Bond issuance, Auckland Council may seek to employ one or more external review options. The first such option is to seek assurance from an independent Assurer. Auckland Council may also choose to combine this assurance with certification from the Climate Bonds Initiative ("CBI"). The CBI is a not-for-profit organisation that aims to promote large scale investments that help deliver a low carbon economy. The Climate Bonds Standard version 2.1 ("CBS") provide a sound framework and scientific criteria to ensure that Green Bond proceeds are used in ways that are consistent with delivering low carbon outcomes. Where sector criteria are available, Auckland Council may choose to seek certification from the CBI for an individual issuance. Please refer to the CBI Disclaimer at Appendix 1 which applies to any Green Bond issuance that has sought and received certification from the CBI.
Auckland Council is committed to seeking assurance from an independent Assurer for all Green Bonds issued under this Framework, in which the Assurer will confirm:

- the Framework is aligned to the GBP and the CBS. Once off, prior to first issuance;
- the allocation of proceeds to Eligible Assets has been done (or will be done in the case of pre-issuance assurance) in accordance with the Framework. Pre-issuance and to be completed for each new issuance; and
- for issuances that are intended to seek CBI certification, that relevant CBI Standards and associated Sector Criteria have been met by the underlying assets and for CBI certified green bonds already issued under this Framework, that annual verification requirements are met.

For any Green Bond issuance under this Framework, Auckland Council will also seek post-issuance assurance at least once post issuance. These Assurance Statements will be published per the reporting schedule below.

In addition, Auckland Council may seek other forms of independent review, such as second party opinions and evaluations from organisations such as rating agencies and sustainability advisors, or any other form of independent review that becomes accepted by the market. This independent review will be obtained on a per issuance basis at time of issue.
Section 2: Framework

4. Use of Proceeds

The proceeds of the Green Bonds issued under the Framework will be allocated to financing of planned projects and assets with positive environmental outcomes, such as the transition to a low carbon and climate resilient future, and which conform to the eligibility criteria set out below (Eligible Assets) or refinancing of corporate debt that supports Eligible Assets.

4.1. Eligibility Criteria

The following table highlights the eligible sectors and eligibility criteria considered within the Framework.

Eligible Assets may include projects delivered, or in the process of being delivered with budget allocated to them. Where projects are jointly funded between Auckland Council and another party e.g. Central Government, funding will be applied only to the council’s share of the project.

Auckland Council may choose to seek CBI Certification for an issuance. In these instances, Eligible Assets must also meet the eligibility criteria set out within the relevant CBS and Sector Criteria as available on the CBI website. The below criteria represent a point in time summary of the CBI Sector Criteria that are currently available, however, as new CBI Sector Criteria are developed, Auckland Council will seek to adopt these criteria for its CBI Certified Green Bonds. For a CBI Certified Green Bond where there is discrepancy between the Framework and the CBI, the CBI website supersedes any criteria set out in this Framework.

<table>
<thead>
<tr>
<th>Eligible Sectors</th>
<th>Eligibility Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>Generation of energy from renewable sources such as wind, solar, geothermal and hydropower. Technology/complexity manufacturing that contributes to renewable energy generation that meets the above criteria (e.g. wind turbines and solar panels).</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Business, assets or projects that develop processes and products/technology that reduce energy consumption of the underlying asset, for example technologies in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products.</td>
</tr>
<tr>
<td>Efficient Buildings</td>
<td>Low carbon and efficient buildings (new-build and renovations), that at least meet recognised environmental standards such as NABERS NZ excellent or equivalent (applicable for either As-Built or Design ratings). For precincts, the rateable Net Lettable Area (NLA) meets these same recognised standards for at least 90% of the total NLA.</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Waste management projects / technologies that promote minimisation, collection, recycling or processing/capture of emissions</td>
</tr>
<tr>
<td>Sustainable Land use</td>
<td>Environmentally sustainable management of living natural resources and land use that has achieved a relevant recognised sustainability certification, for example Forest Stewardship Council, (including environmentally sustainable animal husbandry, climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes).</td>
</tr>
<tr>
<td>Low Carbon Transportation</td>
<td>Low carbon transport assets, systems and infrastructure (including retrofits) such as tramways, electric trains, metro, public walking and cycling infrastructure, cycling schemes, electric vehicles and hydrogen cars, information and communications technologies that improves assets utilisation. For bus, bus rapid transport, commuter rail</td>
</tr>
</tbody>
</table>


5. Process for Evaluation and Selection

Auckland Council through its Green Bond Working Group (GBWG) established in April 2018, will hold ultimate responsibility and accountability for the Framework including all compliance, throughout the life of all Green Bonds issued. The GBWG will consist of senior representatives from Auckland Council’s Treasury, Chief Sustainability Office and Financial Control.

For new and existing issuances, Auckland Council through its GBWG will manage the Eligible Assets selection process and will take into account the following objectives, features and benefits:

- Conformance with the GBP;
- Conformance with the Eligible Criteria set out above;
- Assess current source of finance (budgeted and/or allocated) to determine ease and cost implications of possible re-financing;
- Assessing whether they are in compliance with the Auckland Plan objectives;
- Applying Auckland Council’s own professional judgement, discretion and sustainability knowledge; and
- Where Auckland Council chooses, conformance with any other principles, standards or tools (such as the CBI Standards) that are or become commonplace and respected in the market.

The resultant list of Eligible Assets and their budgets will be provided in the Use of Proceeds Report associated with any Green Bond issuance.

6. Management of Proceeds

In order to manage the risk of holding unallocated proceeds from the Green Bond issuance, the combined value of the Green Bond issued will be less than the total value of the Eligible Assets and any balance of funding for these projects will be met through existing funding sources.

6.1. Tracking of Proceeds

Auckland Council tracks the receipt and Use of Proceeds via its internal reporting systems, ensuring Eligible Assets (re)financed by Green Bonds are appropriately identified. In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, Auckland Council has established a register that contains all Eligible Assets (re)financed by or able to be (re)financed by Green Bonds on issue and their value.

Proceeds derived from Green Bonds and the proceeds generated from Climate Bonds Certified Bonds will be allocated, tracked and reported separately.
6.2. Managing Unallocated Proceeds

To the extent that Green Bond proceeds have not been allocated to Eligible Assets at issuance, or if during the life of the bond proceeds become unallocated ("Unallocated Proceeds") (for example, because an Eligible Asset has been sold), the amount of unallocated proceeds shall be:

6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function, or

6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or

6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Eligible Assets.

Auckland Council will ensure funds are disbursed to Eligible Assets within 24 months of the issuance of the bond.

7. Reporting / Transparency

Auckland Council will publish investor information annually on the Eligible Assets as follows:

- A current list of Eligible Assets, along with their value (the Use of Proceeds Report); and
- A summary of the environmental outcomes that have been delivered by the Eligible Assets (the Impact Report)

The investor information will be made publically available as follows.

<table>
<thead>
<tr>
<th>Disclosure Item</th>
<th>Timing</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance Statements</td>
<td>At initial issuance and when subsequent assurance occurs, to the extent allowed by the assurer</td>
<td><a href="https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx">https://www.aucklandcouncil.govt.nz/about-auckland-council/business-in-auckland/Pages/investor-centre.aspx</a></td>
</tr>
</tbody>
</table>
Appendix 1: Climate Bonds Initiative (CBI) Disclaimer:

This appendix applies to any Green Bond issuance that has sought and received certification from the CBI.

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Green Bonds or any Eligible Asset, including but not limited to the Offering Documents the transaction documents, the Issuer or the management of the Issuer.

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the Green Bonds and such certification does not address the market price or suitability of the Green Bonds for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Eligible Asset and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Eligible Asset (including but not limited to the financial viability of any Eligible Asset) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Eligible Asset or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Eligible Asset. The certification may only be used with the Green Bonds and may not be used for any other purpose without the Climate Bonds Initiative’s prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Green Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative’s sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.
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Audit and Risk Committee
26 May 2020

Assurance process for the Annual Green Bond Report 2020

Attachment B

Item 15
1. Auckland Council and Sustainability

This report provides investors with an update on Auckland Council’s Green Bond activities, use of proceeds, impact reporting and sustainability projects.

Auckland Council is the territorial local authority for the Auckland region and as such is charged with:

- enabling democratic local decision-making and action by, and on behalf of, communities; and
- meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. [Local Government Act 2002, section 10(1)]

In performing its role, a local authority must act in accordance with several key principles, including a sustainable development approach that considers:

- the social, economic, and cultural interests of people and communities; and
- the need to maintain and enhance the quality of the environment; and
- the reasonably foreseeable needs of future generations. [Local Government Act 2002, section 14(1)(h)].

The council’s activities to this end are guided by the Auckland Plan 2050, which sets the direction for how Auckland will grow and develop over the next 30 years. It responds to the key challenges we face today – high population growth, sharing prosperity among all Aucklanders, and reducing environmental damage (see The Auckland Plan).

To address these challenges, the plan identifies six outcomes that will deliver a better Auckland:

- Belonging and Participation
- Māori Identity and Wellbeing
- Homes and Places
- Transport and Access
- Environment and Cultural Heritage
- Opportunity and Prosperity.

Sustainability, environmental protection and climate action are embedded within these outcomes as well as the development strategy contained within the Auckland Plan which describes how and where growth can occur over the next 30 years to achieve those outcomes, guiding critical investment in planning and infrastructure.

Auckland Council also has several plans and strategies that support the delivery of specific aspects of the Auckland Plan. One such strategy being developed is the Auckland Climate Action Plan. This plan will set a path to rapidly reduce greenhouse gas emissions to keep within 1.5°C of warming while ensuring Auckland is prepared for the impacts of climate change (see Auckland’s Climate Action Plan).
2. Overview of Green Bond Issue

In June 2018, Auckland Council issued its inaugural Green Bond, raising $200 million with a 5-year maturity. It was the first Green Bond issued by a New Zealand borrower in the domestic market.

Benefits and impacts resulting from the assets financed and refinanced through the Green Bond are provided later in this report. This bond has also helped to stimulate New Zealand’s green and sustainable finance sector, with several green and sustainability bonds subsequently issued over the past year.

**Key highlights of the bond issue include:**
- First Green Bond issue by a New Zealand borrower, setting a benchmark for others to follow.
- Obtaining certification from the Climate Bonds Initiative (CBI) and independent assurance from EY.
- The Green Bonds specifically funded Auckland rail infrastructure electrification, providing visibility of funding purpose and alignment with Auckland Council’s decarbonisation objectives.
- Significant engagement undertaken with the FMA and NZX for the first retail Green Bond.
- Strong bookbuild, with 25 investors. Half (50 percent) were institutional investors and of these, 73 percent were green investors.
- Several key investors participated only because of the green nature of the issue. This resulted in very competitive pricing, with the issue pricing inside the council’s secondary market curve at 5-year mid-swap + 50 bp.
- The transaction allowed the council to align its source of funding with the strong sustainability objectives outlined in the Auckland Plan.
- In preparation for the bond issue, the council established its Green Bond Framework, identified green assets and ensured that the bond aligned with both the International Capital Markets Association (ICMA) Green Bond Principles and Climate Bonds Standard.

**Key terms of the 27 June 2018 Green Bond Issue are show in the table below.**

<table>
<thead>
<tr>
<th>Issue Rating</th>
<th>AA Stable (S&amp;P Global Ratings) / Aa2 Stable (Moody’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instrument</td>
<td>Unsubordinated, fixed rate bonds</td>
</tr>
<tr>
<td>Tenor</td>
<td>5 years</td>
</tr>
<tr>
<td>Issue Date</td>
<td>27 June 2018</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>27 June 2023</td>
</tr>
<tr>
<td>Issue Amount</td>
<td>NZD 200,000,000</td>
</tr>
<tr>
<td>Margin</td>
<td>5-year mid-swap + 0.50% per annum</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>3.17% per annum (paid semi-annually)</td>
</tr>
<tr>
<td>Arranger, Sole Lead Manager and Green Bond Co-ordinator</td>
<td>ANZ Bank New Zealand Limited</td>
</tr>
<tr>
<td>Co-managers</td>
<td>Bank of New Zealand, Westpac Banking Corporation</td>
</tr>
</tbody>
</table>
3. Annual use of proceeds – May 2019

Proceeds of the Green Bonds have been allocated to financing of planned projects and assets with positive environmental outcomes, and which conform to the eligibility criteria set out below (Eligible Assets) or refinance of corporate debt that supports Eligible Assets.

3.1 Value of Existing Eligible Assets

<table>
<thead>
<tr>
<th>Eligible asset*</th>
<th>Eligible sector*</th>
<th>Eligibility criteria*</th>
<th>CBI criteria (if applicable)</th>
<th>Asset value (NZD m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Electric Multiple Unit rolling stock</td>
<td>Low Carbon Transport</td>
<td>Electric trains</td>
<td>Low Carbon Land Transport Criterion 3 – Electrified Public Transport</td>
<td>$420</td>
</tr>
<tr>
<td>New Electric Multiple units rolling stock</td>
<td>Low Carbon Transport</td>
<td>Electric trains</td>
<td>Low Carbon Land Transport Criterion 3 – Electrified Public Transport</td>
<td>$35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$455</strong></td>
</tr>
</tbody>
</table>

* denotes terms defined in the Green Bond Framework

3.2 Value of Green Bonds on Issuance

<table>
<thead>
<tr>
<th>Date of issuance</th>
<th>Maturity date</th>
<th>Bond details</th>
<th>Bond face value (NZD m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 June 2018</td>
<td>27 June 2023 (5 Years)</td>
<td>3.17% unsubordinated, fixed rate retail bonds</td>
<td>$200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$200</strong></td>
</tr>
</tbody>
</table>

3.3 Confirmation of allocation of proceeds

- Total Green Bonds outstanding | $200 million
- Total asset value | $455 million

Auckland Council confirms that the value of the Green Assets internally allocated to the Green Bonds is greater than the face value of the Green Bonds outstanding and there are no unallocated proceeds.
4. Impact assessment

Funds raised through this inaugural Green Bond have been used to finance and refinance the region’s electric trains and associated infrastructure.

4.1 Auckland’s electric train transition

In 2011, Auckland Transport began switching trains from diesel to electric, with reducing greenhouse gas emissions, air pollution and noise from the rail network as significant objectives. The project was also a key element in the City’s Integrated Transport Programme to boost capacity and use of the rail network. It was funded by the Government and Auckland Council. The project included electrification of rail lines from Papakura in the south to Swanson in the west, and the purchase and operation of 57 new electric trains for these lines. The first trains went into operation in October 2014, and by 2015 all 57 were operational.
4.2 Green Bond Relative Contribution

In the latest register of Green Bond eligible assets, the total asset value for Auckland Transport’s 57 electric trains was $420.26 million. The $200 million raised through the Green Bond issuance therefore constitutes 47.5 percent of the asset value, or approximately 27 trains. This percentage should frame the relative contribution of Green Bond proceeds to the impacts and benefits of electric trains described below.

4.3 Broad Benefits

Since 2014, patronage across Auckland’s commuter rail network has increased from 12.5 million per annum to 20.7 million in the year ending June 2018. From June 2018 to March 2019, there were 15.8 million trips on Auckland’s rail network (see Auckland Transport’s Metro patronage report)\(^1\).

These trips have helped Aucklanders to easily, safely and sustainably reach the things that matter most to them, such as work, school, friends, recreation and healthcare, in line with the Transport and Access outcome of the Auckland Plan (see The Auckland Plan, Transport and Access Explained).

The electrification of Auckland’s commuter rail fleet has delivered significant carbon emission reductions in addition to the following broad benefits (see Auckland Transport, Electric Trains):

- A faster, more frequent service, including the ability to carry more people per train, and doubling the length of trains to six cars.
- Improved air quality due to the absence of exhaust fumes from the trains’ operation.
- Reduced noise impacts, both inside and outside trains, benefitting both passengers and those living and working near the rail network.
- Greater levels of customer comfort, information and safety with international best practice passenger information systems that ensure both audio and visual information is easy to understand.
- Improved access including wider doors, automatic ramps for mobility impaired passengers and lower floors for push chairs or people with luggage. The sliding plug-type doors also provide a good weather and soundproof seal, while open gangways between cars allow movement from one end of the train to the other.
- A range of safety improvements, such as cameras that allow the driver to see all of the train, an on-board CCTV camera system that operates continuously in all cars and emergency call points throughout the train, allow passengers to communicate directly with the train crew in the event of an incident. All doors have obstacle detection so that if something obstructs the door it will still open and close.

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\(^1\) This includes journeys on several diesel trains that still operate between Papakura and Pukekohe, where electrification of the track has not yet been completed.
4.4 **Greenhouse Gas Emissions reduction**

Auckland Transport has recently assessed greenhouse gas (GHG) reductions resulting from electrification. Figure 1 below shows the significant reduction in GHG emissions from the train network since the onboarding of electric trains in 2014.

The net reduction of emissions was estimated by comparing a baseline scenario (continued service by a diesel-only fleet) with respect to the electrification scenario. The net emissions reduction in 2017/2018 was estimated to be about 25,000 tCO2e compared to the baseline scenario. An additional 15 electric trains will be introduced to the fleet near the end of 2019 which will help to further reduce emissions.

Note: Data for the 2018/2019 operating year, covering the Green Bond issuance, is not currently available, but is expected to be in line with these estimates based on reported train patronage data.

Auckland Transport’s GHG footprint has recently been reviewed independently and a report is expected e.g. later in 2019 (see Auckland Transport, Sustainability).

**Figure 1: Increased Patronage and Estimated Greenhouse Gas Emission Reduction from Electrification of the Train Fleet.**
5. Summary

The proceeds from Auckland Council’s inaugural Green Bond were applied to the refinancing of the region’s electric train fleet. This electrification has contributed to a broad range of positive impacts to the environmental, social and economic wellbeing of Aucklanders. The significant increase in patronage across the region’s rail network is in part attributable to the modern electric train fleet that operates on most commuter routes. These trains provide a fast, safe, efficient and enjoyable experience. Investing in reliable and accessible public transport is an important part of delivering shared prosperity for all Aucklanders.

The electric trains have reduced adverse environmental impacts, such as noise, air quality, of the region’s train operations, benefiting passengers as well as those living or working along the train network. The significant reduction in greenhouse gas emissions associated with electrification also supports the region’s overall emission ambitions and the commitment to keep with 1.5°C of warming.
Independent Reasonable Assurance Report to the Management of Auckland Council

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 4 June 2019, in our opinion the assets included in Auckland Council's Green Bond eligible asset pool, meets the Climate Bonds Standard (Version 2.1) including all relevant pre-issuance requirements and the Green Bond Principles (June 2018) requirements, in all material respects.

Scope

We have performed a reasonable assurance engagement in relation to Auckland Council's Green Bond ('the Bond' or 'Green Bond') in order to provide an opinion as to whether the subject matter detailed below ('Subject Matter') meets, in all material respects, the criteria as presented below as at 4 June 2019.1

Subject Matter and Criteria

The subject matter and associated criteria for this reasonable assurance engagement are set out in the table below:

<table>
<thead>
<tr>
<th>Subject Matter</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>The subject matter for our assurance includes:</td>
<td>The Climate Bonds Standard Version 2.1, including the Low Carbon Land Transport Eligibility Criteria</td>
</tr>
<tr>
<td>‣ Auckland Council's Green Bond Eligible Asset Register (dated 30 April 2019)</td>
<td>Criteria found at these links:</td>
</tr>
<tr>
<td>‣ Policies and procedures relating to the use of proceeds and management of proceeds raised from the Bond</td>
<td>‣ Climate Bonds Standard Version 2.1</td>
</tr>
<tr>
<td>‣ Environmental performance and information relating to nominated projects and assets to be funded by the Bond</td>
<td>‣ Low Carbon Land Transport Eligibility Criteria</td>
</tr>
<tr>
<td>‣ Procedures for reporting on the use of proceeds and eligible investment associated with the Bond.</td>
<td>The Green Bond Principle's (June 2018) requirements on:</td>
</tr>
<tr>
<td>Auckland Council's Green Bond documentation including the Green Bond Framework found at this link:</td>
<td>‣ Use of Proceeds</td>
</tr>
<tr>
<td>‣ Auckland Council Green Bond documentation</td>
<td>‣ Process for Project Evaluation and Selection</td>
</tr>
<tr>
<td>Technical details of the assets identified as 'green' ('eligible assets')</td>
<td>‣ Management of Proceeds</td>
</tr>
<tr>
<td>Auckland Council's Green Bond Framework</td>
<td>‣ Reporting.</td>
</tr>
<tr>
<td></td>
<td>Criteria found at this link:</td>
</tr>
<tr>
<td></td>
<td>‣ The Green Bond Principles 2018</td>
</tr>
</tbody>
</table>

Management Responsibility

The management of Auckland Council is responsible for the collection, preparation, and presentation of the Subject Matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the Green Bond issuance process.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the Subject Matter is presented in accordance with the Criteria, in all material respects. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information (‘ISAE (NZ) 3000’).

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1 A separate reasonable assurance statement was provided as of 13 May 2019, over Auckland Council's first Green Bond, which concluded that it met the Climate Bonds Standard post-issuance requirements, in all material respects.
**Level of Assurance**

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures that are sufficient for us to obtain a sufficient level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner’s judgement, including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management’s internal controls when determining the nature and extent of our procedures, our procedures were not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Our Approach**

Our assurance procedures performed included, but were not limited to:

- Reviewing any changes to policies and procedures established by Auckland Council related to the issuance of the Bond to assess whether they were aligned to the requirements of the Climate Bonds Standard Version 2.1 and the Green Bond Principles (June 2017)
- Confirming the eligibility of assets for inclusion in Auckland Council’s Green Bond against Auckland Council’s Green Bond Framework
- Interviewing selected business unit and group level personnel to understand key issues related to Auckland Council’s relevant policies and procedures
- Reviewing selected performance information for green bond projects, and documentation supporting assertions made in the Subject Matter
- Checking the accuracy of asset valuations
- Obtaining and reviewing evidence to support key assumptions
- Seeking management representation on key assertions

**Limitations**

There are inherent limitations to performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ISAE (NZ) 3000, the Climate Bonds Standard v2.1, and the Green Bond Principles (June 2017) is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the Auckland Council’s Green Bond, twelve months post-issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 4 June 2019. The firm performs other Advisory engagements for Auckland Council. Other than these Advisory engagements, the firm has no other relationships with, or interests in, Auckland Council.

**Use of Report**

Our responsibility in performing our assurance activities is to the Management of Auckland Council only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Auckland Council’s Green Bond issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

**Our Independence and Assurance Team**

In accordance with APES 110 Code of Ethics for Assurance Practitioners, the firm and all professional personnel involved in this engagement have met the independence requirements of New Zealand or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.

**Observations on particular aspects of our engagement:**

We provide selected observations aligning to the Climate Bonds Standard and the Green Bond Principles core components, to provide the reader with further understanding on how this Green Bond meets the criteria. These observations are not intended to detract from our conclusion provided above.

A member firm of Ernst & Young Global Limited
Use of Proceeds:
- Proceeds from this Green Bond will be used for financing and refinancing purposes.
- Proceeds support the value of eligible assets, owned or expected to be owned by Auckland Council, that meet the Climate Bonds Standard ("CBS") Low Carbon Land Transport Criteria, and the Green Bond Principles.
- The value of the refinanced Electric Multiple Unit (EMU) train eligible assets is based on the net book value and subject to accumulated depreciation which was calculated, by Auckland Council, as at 30 April 2019. This is a conservative measure of project costs.
- The value of new EMU eligible assets is based on current project spend (as at 30 April 2019), based on the contract for the purchase of new trains and the associated Foreign Exchange Deals.
- The value of the public cycleway eligible assets is based on net project costs for refinancing and future approved budget expenditure (as at 30 April 2019).
- The CBS Low Carbon Land Transport Criteria was developed by the Climate Bonds Initiative, an international, investor-focused not-for-profit organisation aiming to develop tools to mobilise the bond market for climate change solutions. The primary objective is to ensure that any land transport projects or assets certified by the CBS would contribute to meeting an emissions trajectory consistent with limiting global temperature rises to 2°C Celsius.
- The use of proceeds of this bond aligns with the Green Bond Principles’ project category “clean transportation (such as electric, hybrid, public, rail, non-motorised, multimodal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)”.

Process for Project Evaluation and Selection:
- Auckland Council has developed a Green Bond Framework that outlines the environmental objective of the bond, eligibility criteria for determining green projects and the process for project selection and evaluation.

Management of Proceeds:
- Auckland Council has implemented processes to manage initial funds received from the Green Bond and to monitor the on-going use of proceeds. These processes include:
  - An earmarking process through existing systems to designate the proceeds received.
  - A process for deploying any unallocated proceeds to temporary cash equivalent investments.
  - A monthly process for monitoring the on-going use of proceeds and value of eligible assets.
- Auckland Council has a programmatic green bond Framework and can issue bonds against the pool of eligible assets up to the value of these assets, which have been independently assured against the pre-issuance requirements. Auckland Council has committed to seeking independent assurance over annual reporting on Green Bonds.

Reporting:
- Auckland Council has publicly reported on the Use of Proceeds of Green Bond and will continue to do so annually, which will include as a minimum: a list of eligible assets, the value of the eligible assets, and the environmental performance of eligible assets.

Ernst & Young Limited

Graeme Bennett  
EY Assurance Partner

4 June 2019
Te take mō te pūrongo

Purpose of the report

1. To note confidential decisions and related information released into the public domain.

Whakarāpopototanga matua

Executive summary

2. This is a regular information-only report which aims to provide greater visibility of confidential decisions made which can now be released into the public domain.

3. The following decisions/documents are now publicly available:

<table>
<thead>
<tr>
<th>Date of Decision</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>14/4/20</td>
<td>Risk and Assurance update – approach to risk management and assurance activities during COVID-19 lockdown and recovery</td>
</tr>
<tr>
<td>14/4/20</td>
<td>Audit and Risk Committee confidential meeting minutes</td>
</tr>
<tr>
<td>14/4/20</td>
<td>Audit and Risk Committee confidential minutes attachment</td>
</tr>
</tbody>
</table>

4. The relevant decisions and documents for the above decisions can be found at the following link: [https://ourauckland.aucklandcouncil.govt.nz/articles/news/2020/04/auckland-council-to-consult-on-emergency-budget/](https://ourauckland.aucklandcouncil.govt.nz/articles/news/2020/04/auckland-council-to-consult-on-emergency-budget/)

5. Note that, unlike an agenda report, staff will not be present to answer questions about the items referred to in this summary. Audit and Risk Committee members should direct any questions to the authors.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) note the confidential decisions and related information that are now publicly available.

Ngā tāpirihanga

Attachments

There are no attachments for this report.
## Ngā kaihaina
### Signatories

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author</td>
<td>Mike Giddey - Kaitohutohu Mana Whakahaere / Governance Advisor</td>
</tr>
<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Audit and Risk Committee

a) exclude the public 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 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 Council-controlled Organisations’ Quarterly Risk Updates - May 2020

<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>
</tr>
</thead>
<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)(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.</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>
</tr>
</tbody>
</table>

In particular, the report contains risk reporting and detailed top risks confidential to the council controlled organisations’ Boards or Audit and Risk committees. The council controlled organisations have provided their risk reports for the council's Audit and Risk Committee subject to confidentiality.

### C2 2020 Insurance Renewal Update - Council Group

<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>
</tr>
</thead>
<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.</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</td>
</tr>
</tbody>
</table>

In particular, the report contains
### C3 Legal Risk Report

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<tr>
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</table>
| 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)(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. | 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. |

### C4 Assurance Services Activity Update

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</table>
| 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)(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.  

In particular, the report contains information pertaining to the internal audit and integrity programme which if released could jeopardise the effective operation of the programme. | 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. |
### C5 Confidential discussion on the Auckland Council Group’s 30 June 2020 year end reporting and audit requirements

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<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)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage. In particular, the report contains information about assumptions and judgements that will have a material impact on the financial results of the Auckland Council Group for the year ending 30 June 2020.</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>
</tr>
</tbody>
</table>

### C6 Approval of the Auckland Council Group’s pro forma financial statements for the year ending 30 June 2020

<table>
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<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 information that will be included in the Annual Report for the year ended 30 June 2020.</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>
</tr>
</tbody>
</table>

### C7 Office of the Auditor-General and Audit New Zealand Briefing

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<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 from Audit New Zealand contains information regarding the annual report and financial results of the Auckland Council Group and Auckland Council as at 30 June 2020.</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>
</tr>
</tbody>
</table>