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

**Date:** Tuesday, 15 September 2020  
**Time:** 1.00pm  
**Meeting Room:** This meeting will be held remotely via Skype for Business. A recording or written summary will be uploaded to the Auckland Council website.  
**Venue:**

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

**OPEN AGENDA**

### 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

9 September 2020

Contact Telephone: (09) 890 8143  
Email: mike.giddey@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

**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, focusing 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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<td>C5</td>
<td>CONFIDENTIAL: Office of the Auditor-General and Audit New Zealand briefing</td>
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</table>
1 **Apologies**

At the close of the agenda no apologies had 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 August 2020, including the confidential section, as a true and correct record.

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 (Attachment A).

Whakarāpopototanga matua
Executive summary
2. 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.
3. The legal risk report has been deferred from the September meeting to the December meeting. This is because:
   - there are no significant changes to legal risk profile further to the May report requiring reporting
   - any specific compliance and/or legal matters relating to the annual report sign off will be included in the financial papers going to this committee in September
   - the Legal Risk report is tabled with this committee on a six-monthly basis. The last report to this committee was in May 2020.
4. A new item has been added to the work programme in October 2020. There will be a report with respect to the committee’s role in providing assurance on management of risk arising from the implementation of the recommendations from the CCO review.

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

a) approve the change in the timing of the legal risk report, approve the inclusion of a new item on the management of risks arising from the implementation of the recommendations of the CCO review, and adopt the updated Audit and Risk Committee work programme.

Ngā tāpirihanga
Attachments

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Ngā kaihaina
Signatories

| Authors | Mark Maloney - Head of Assurance Services  
          | Emma Mosely - Chief Risk Officer |
| Authoriser | Phil Wilson - Governance Director |
Item 8
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.

Responsibilities include 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].

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<td>Building and resource consents assurance plan update</td>
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### Area of work and lead

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<td><strong>Enterprise Risk</strong>&lt;br&gt;Chief Risk Officer – Risk and Insurance Department</td>
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## Audit and Risk Committee
### 15 September 2020

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| **Interim Report**  
Group Financial Controller | 31 December 2019 Interim Report and NZX Announcement clearance  
Link to decision | Audit New Zealand Review engagement management report 31 December 2019 | Interim Audit Management Report  
Link to decision | 31 December 2020 Interim Financial Statements & NZX announcement Update  
Proforma interim financial statements and accounting policies 31 December 2020 |
| **Annual Report**  
Group Financial Controller | 30 June 2020 Arrangements (extended audit plan)  
Link to decision | NZX Announcement 30 June 2020  
Annual Report 30 June 2020 update for committee  
Proforma Annual Report 30 June 2020 (financial statements and accounting policies)  
Link to decision | NZX Announcement 2020  
Annual Report 30 June 2020 update for committee | 30 June 2021 Arrangements (extended audit plan)  
Audit New Zealand final audit management report 30 June 2020 |
| **Other reports** | | | Review of property rationalisation process | |
| **Long-Term Plan 2021/2031**  
Annual Plan  
GM Financial Strategy and Planning | 2021 Annual Plan (Refer Covid-19 Risk Update)  
Audit NZ Arrangements Letter – Audit of LTP | Risk Management and Assurance Approach  
Audit NZ Arrangement letter - Audit of Long-Term Plan - draft  
Link to decision | Audit NZ arrangement letter Audit of Long Term Plan | 2021/22 Annual Plan (draft) |
| **External Audit**  
Office of Auditor-General (OAG) | Briefing paper provided  
Link to decision | Briefing paper provided  
Link to decision | Briefing paper provided  
Link to decision - confidential | Briefing paper provided | Briefing paper provided |

### Workshops

The Audit and Risk Committee holds workshops on matters where a background briefing/ more informal 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 Dives (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

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. Responsibilities include 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](#).

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<td><strong>Interim Report</strong></td>
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<td><strong>Annual Report</strong></td>
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<td><strong>Long Term Plan 2021/2031</strong></td>
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<td><strong>Annual Plan</strong></td>
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<tr>
<td>Office of Auditor-General (OAG)</td>
<td>Briefing paper provided</td>
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## 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. Responsibilities include 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](#).

### Forward Work Programme 2020-2022

<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2022 (dates TBC)</th>
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<tbody>
<tr>
<td><strong>Audit and Risk Committee</strong>&lt;br&gt;Head of Assurance Services</td>
<td>Feb: Work programme</td>
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<td><strong>Assurance</strong>&lt;br&gt;Head of Assurance Services – Assurance Services Department</td>
<td>Feb: Assurance Services Strategy and activities update (fraud and integrity, elected members, internal audits and reviews, speak up) Audit Programme reporting – updated plan and audits completed</td>
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<tr>
<td><strong>Independent Maori Statutory Board - Treaty Audit</strong>&lt;br&gt;Head of Assurance and GM Maori Outcomes and Relationships</td>
<td>Feb: Treaty Audit Monitoring update</td>
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<tr>
<td><strong>CCO Risk management</strong>&lt;br&gt;Facilitated by Risk and Insurance Department</td>
<td>Feb: CCO quarterly risk report Attendance by ATEED</td>
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<td><strong>Auckland Council partner/ shareholder risk management</strong>&lt;br&gt;Director Infrastructure and Environmental Services &amp; CCO/ External Partnerships Dept</td>
<td>Feb: America’s Cup 36</td>
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<td><strong>Legal Risk</strong>&lt;br&gt;General Counsel – Legal &amp; Risk Dept</td>
<td>Feb: Legal Risk report</td>
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<td><strong>Insurance</strong></td>
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<td>Audit New Zealand final 2021 LTP amendment management report</td>
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</table>
Te take mō te pūrongo

Purpose of the report

1. To update the Audit and Risk Committee on:
   a) the Auckland Council Top Risk Register following the September quarterly review
   b) the process and timeline for the report on tree risk assessment to the Parks, Arts, Community and Events Committee in accordance with the Audit and Risk Committee Resolution AUD/2020/44
   c) the City Rail Link (CRL) project, including key risks and how they are being managed.

Whakarāpopototanga matua

Executive summary

Auckland Council Top Risks

2. The council’s top risks have been reviewed and updated.

3. The risks are closely interrelated and, given the continuously evolving environment, they are being actively monitored and managed by key risk owners, relevant business areas and the risk team.

4. The council’s overall risk profile is heightened due to the uncertainty and evolving nature of the COVID-19 response, resurgence and recovery, cyber system (Distributed Denial of Services (DDoS)) attacks, and drought risk events which are significant and cumulative drivers to the top risks.

5. The internal controls and risk management processes are operating, and no new risks have been identified or changes made to the previously reported top risk residual ratings.

6. This quarter, specific risk assessments and evaluations have been completed for the Māori Outcomes and Water Top Risks.

7. The Māori Outcomes Top Risk has been evaluated as being inherently and residually high at this time. This is due to the number of actions that have recently commenced (e.g. implementation of newly adopted Kia Ora Tāmaki Makaurau - Maori Outcomes Performance Measurement Framework) and the heightened risks associated with the COVID-19 resurgence and recovery.

8. The strategic Water Top Risk assessment and evaluation concluded that the risk ratings should be the same as the previous water risk and it is recorded as Critical (inherent) and High (residual).

9. A Distributed Denial of Service (DDoS) attack has been occurring in August and September 2020 that has disrupted the NZX and other organisations. The impact to Council has been minimal to date but telecommunications providers are being impacted and some internet services are being degraded. If this attack continues to increase then Council may be impacted however, it is considered that our systems and controls are adequate to mitigate the potential risks at this time.

Tree risk assessment report update

10. Further to the public input item on tree management and resolutions made by the Audit and Risk Committee on 24 August 2020 (AUD/2020/4), the requested report is being prepared to the Parks, Arts, Community and Events Committee and will be reported to the 15 October 2020 meeting.
City Rail Link risk update

11. Since the last report to the Audit and Risk Committee in May 2020 the contract variation concerning major tunneling and stations work has been approved. A copy of the report to Governing Body on 27 August 2020 is in Attachment C to provide the Committee oversight of the risk reporting.

12. The key governance groups, oversight and risk management processes, including six monthly sponsor risk reviews, are continuing.

13. Key shareholder and interdependency risks identified relate to the interface with existing systems and networks, the commissioning phase before CRL can open to the public and the capacity of the traction power network. The financial risks associated with the project are reducing due to the procurement phases being completed.

14. The COVID-19 impacts and the ongoing border restrictions are continuing to disrupt access to skilled international staff, which is a potential risk to project delivery. Discussions with the Government about the issues and possible solutions are continuing.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) note the Auckland Council Top Risk Quarterly Update
b) note the tree risk assessment report and City Rail Link risk updates
c) refer the Auckland Council Top Risk Quarterly Update report to the Governing Body for information.

Horopaki

Context

15. This report provides an update on the quarterly review of the Auckland Council Top Risk Register and risk activities. The report provides information to enable the Audit and Risk Committee to fulfil their governance and oversight role of the effectiveness of risk management within Auckland Council, and for reviewing the emerging risks and changes to the Auckland Council Top Risks.

Tātaritanga me ngā tohutohu

Analysis and advice

Top Risk Quarterly Update

16. The risks described on the Council Top Risks remain unchanged from the last full review completed in May 2020 and the interim review undertaken in July 2020.

17. There are currently fourteen Top Risks on the register. These include the risks added following the COVID-19 pandemic concerning Financial Management, Recovery and Māori Outcomes. A summary of the Top Risks is in Attachment A page 2.

18. The risks are closely interrelated and interdependent. Reflecting the current ratings and the continuously evolving environment, they are being actively monitored and managed by key risk owners, relevant business areas and the risk team. No changes in risk ratings have been made this quarter.
19. The risk team has facilitated the August/September review of the Top Risks with risk sponsors and relevant risk owners, subject matter experts and key control owners and considered the internal and external environment and emerging risks. The review has also been informed by the drought and climate change risk pulse check information provided by divisions and directorates and the recent council-controlled organisation review report and ongoing processes.

20. Specific Risk assessments have been completed for the:
   - Māori Outcomes Top Risk
   - Water Top Risk.

21. The updated Top Risk Report September 2020 is in Attachment A.

Kia Ora Tāmaki Makaurau - Māori Outcomes Top Risk

22. The Māori Outcomes top risk is reported in Attachment A page 17.

23. Recent events have highlighted the potential risk of Council not adequately delivering outcomes with Māori, especially in a post COVID-19 environment where Māori are likely to be disproportionately impacted.

24. General Manager Ngā Mātārae / Māori Outcomes and the Māori Outcome leads from each of the divisions have undertaken an assessment and evaluation of the risk. They have considered the key drivers and causes that may potentially hinder the Māori Outcomes objectives as well as the controls and mitigations that are in place and under development to ensure all risks are effectively managed.

25. The risk has been evaluated as having a high inherent risk. The residual risk remains high at this time. This is primarily due to the number of actions that have recently commenced (e.g. implementation of newly adopted Kia Ora Tāmaki Makaurau - Maori Outcomes Performance Measurement Framework) and the heightened risks associated with the COVID-19 resurgence and recovery where we are anticipating disproportionate impacts on vulnerable communities in Auckland.

Top Risk 8 Water Top Risk Reset

26. Council has reviewed the water top risk in light of the current drought and Covid-19. A drought and climate risk pulse check has been conducted with all council divisions and directorates and we have had discussions with key risk owners in Infrastructure and Environmental Services and Chief Planning Office departments, ELT sponsors and the Drought Crisis Team.

27. The “risk bow tie” method has been followed to identify, clarify and evaluate the key drivers, impacts and controls and mitigations and demonstrate the causal relationships. The analysis is summarised on Attachment B page 3.

28. Water management remains a strategic and operational risk area. However, the risk (including its description, drivers and impacts) has been reset to reflect the current context and challenges facing the council and Auckland.

29. The detailed risk assessment is captured in the Top Risk register. A summary of the risk assessment analysis that underpins the top risk report in in Attachment B.

30. The water top risk has been reframed to reflect the council’s wide-ranging responsibilities and accountabilities for water and its management.

31. A new proposed strategic “risk event” has been identified as the potential inability to effectively and sustainably manage and meet Auckland’s water needs.
32. The key drivers and impacts fall across the Council’s wide-ranging roles and responsibilities including:

- the quantity and quality of water
- responsibilities for stormwater and wastewater management
- climate change impacts
- urban growth demands
- preserving biodiversity and ecosystems
- as a user / consumer of water (corporate facilities, and as a provider of facilities and services such as public spaces and reserves).

33. Water supply, quality and environmental risks and impacts are shared by the council group and require a strong strategic and coordinated group approach to management and mitigation going forward.

34. The review and re-evaluation of the water risk has confirmed that water management is a significant strategic challenge and risk area requiring ELT oversight and deliberate and coordinated management across all functions and activities.

35. The assessment to date has concluded that the risk ratings should be the same as the previous water risk and it is recommended to be recorded as Critical (inherent) and High (residual).

Drought and climate change risk pulse check

36. A drought and climate change risk pulse check has been conducted with the enterprise leadership group (ELG). The objective was to form an enterprise view and provide insights on the potential risks and impacts, and to inform the management of Top Risks.

37. Where relevant, the key insights are summarised on each Top Risk report in Attachment A. The data gathered is also being shared with relevant teams and workstreams such as the Natural Hazard Risk Management Action Plan implementation project.

38. While there are no new potential impacts identified, the exercise has raised awareness and confirmed and deepened Council’s understanding of the drivers and impacts of climate change and the current drought.

39. Key themes identified through the pulse check concerned financial risks (revenue and costs) across most functions caused by climate change and the challenges associated with reprioritisation and uncertainty of the risks and impacts.

Data network attack - update on external threats, cyber security and information systems risks

40. A Distributed Denial of Service (DDoS) attack has been occurring in New Zealand in August and September 2020 that has disrupted the NZX and other organisations including MetService, TSB and Kiwibank.

41. Whilst this attack is being referred to as a cyber-attack it is more accurately a data network attack involving an outside party flooding the networks with more data than it can handle.

42. The council has significant resilience built into its networks, however the scale of this attack is impacting all of New Zealand’s internet traffic.

43. The impact to the council has been minimal to date but we aware that telecommunications providers are being impacted and some internet services are being degraded. If this attack continues to increase, then the council may be directly impacted, however it is considered that our systems and controls are adequate to mitigate the potential risks at this time.

44. The council is closely monitoring this situation with its strategic security partner, Datacom.
45. Auckland Council ICT and our security and network partners have taken all reasonable steps to prepare for a possible attack. Actions include:

- Refreshed and distributed the DDoS response plan
- Engaged with Datacom and are maintaining daily contact
- Contacted our Internet Service Providers and raised readiness levels
- Our 24/7 Security Operations Centre is on High Alert for any indications of attack from this or any other attacker
- Our security monitoring systems on every laptop, Desktop and Server team continue to monitor and block any unwanted activity
- Increased user awareness and training through communications and e-learning modules to all staff.

46. There is a potential for our remote workforce to be impacted should the network be significantly compromised. Information has been communicated to all staff and people leaders to raise awareness and advise what to do individually to prepare and be alert.

47. The all of organisation campaign for staff to complete the mandatory e-learning for cyber security, integrity and privacy has also commenced.

48. In the longer term, our best mitigation is to achieve and then maintain a level of technical and security sophistication to ensure our defences are as resilient and robust as possible. The ICT security improvement programme continues which includes enhancements to email security, multi-factor authentication and secure network perimeter enhancements.

49. The Cyber Security top risk rating is not materially impacted by these data network attack events and remains at High. Please refer attachment A page 5.

Report on Tree Risk Assessment – process update

50. On 24 August 2020, the Audit and Risk Committee received public input from Ms Deborah Manning on Auckland Council’s management of tree risk assessments and environmental responsibilities.

51. The Committee resolved:

Resolution number AUD/2020/44

MOVED by Chairperson S Sheldon, seconded by Member B Robertson:
That the Audit and Risk Committee:

a) thank Deborah Manning and Mark Roberts for their presentation

b) request officers prepare a report outlining:

i) the industry standards available for tree risk assessment

ii) the current tree risk assessment practice across Community Facilities with respect to these industry standards

iii) potential recommendations for change, including for greater consistency across Community Facilities.

c) Recommend that the report referred to in b) above be provided to the Parks, Arts, Community and Events Committee for them to review current practice and make any recommendations, if needed, to ensure a consistent approach across Community Facilities

d) request an update on the above be provided in the Risk report in September 2020.
52. A report outlining the following is currently being prepared:
   a) the industry standards available for tree risk assessment;
   b) the current tree risk assessment practice across Community Facilities with respect of these industry standards; and
   c) potential recommendations for change, including for greater consistency across Community Facilities.

53. The report will be provided to the Parks, Arts, Community and Events Committee in order that the Committee can review current practice and make any recommendations, if needed to ensure a consistent approach across Community Facilities.

54. The report is to be provided to the Parks, Arts, Community and Events Committee meeting on 15 October 2020.

City Rail Link risk update September 2020

55. Since the last six-monthly report to the Audit and Risk Committee on City Rail Link (CRL) in May 2020, the sponsors of the project (Auckland Council and Ministry of Finance and Transport) have approved City Rail Link Limited’s (CRLL) entering into a contract variation with Link Alliance which is delivering the major tunneling and stations work for the City Rail Link project (CRL).

56. This contract variation was to include the two final large works packages, for rail systems and integration, and for linkages to the western line in the Mt Eden area (referred to as the C5 and C7 packages). The execution of this variation is a major milestone for the project.

57. The Governing Body received a full project and risk update in conjunction with this variation decision making process on 27 August 2020. A copy of the report to Governing Body is in Attachment C to provide the Audit and Risk Committee with oversight and a risk update on the project.

58. As part of the process for seeking approval, CRLL presented a project update to the Governing Body. This update noted that, along with reduced procurement risks, achieving an agreed contract for these works packages means that cost risks are now also significantly reduced. The project is still within allocated contingencies, and the major cost risks are now due to the potential for things such as unforeseen difficulties in ground conditions, rather than an inability to secure contractors for an appropriate price.

59. CRLL has assured shareholders that all foreseeable financial risks are within the CRL project budget and contingency.

60. An additional benefit of the recent variation agreement with the Alliance is that the delivery partners for the project (Auckland Transport and KiwiRail) are now also more integrated with the project. The C5 and C7 packages are at the interface with existing rail networks, which means that through the process of achieving the contract variation, the processes to manage these interfaces are now well-established. These processes are key for controlling and mitigating the interface and interdependency risks identified.

61. CRLL also provided sponsors with an update on the impacts of COVID-19. The project had a very successful emergence out of Level 4 in late April, and the impacts of COVID-19 were better than for many other infrastructure projects. There will be material time and cost implications, though these will be more fully understood by the end of 2020.

62. The COVID-19 government border restrictions have impacted the ability of the project to secure foreign staff, despite the Crown’s facilitation of some of the critical staff back into New Zealand. This situation continues to be challenging and impacts more significantly if lockdowns continue over the next period. Discussions with the Government about the issues and possible solutions are continuing.

63. The key governance groups and oversight and risk management arrangements including six monthly sponsor risk reviews are continuing. The risk dashboard is due for review in October 2020 and will be reported to the Audit and Risk Committee in February 2021.
Item 9

Tauākī whakaaweawe āhuarangi
Climate impact statement
64. The climate change adaptation and mitigation risk continues to be identified and managed as a top risk for Auckland Council. The residual risk has been assessed as high and remains unchanged at this time. Please refer attachment A page 6.

65. 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
66. There are no direct impacts on the Council Group arising from this report. The risk department continues to work with the risk managers and key staff in the council-controlled organisations to collaborate and manage group risks.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views
67. 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
68. The delivery of Māori Outcomes is a key strategic objective for the council.

69. The potential risk that the 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.

70. Māori Outcomes is included within the Top Risk Register to enable adequate and ongoing executive and senior leadership oversight and effective top down / bottom up management of the risks. Please refer attachment A page 17.

Ngā ritenga ā-pūtea
Financial implications
71. Financial Management has been identified as a key risk for the council and is included within the Top Risk Register to enable adequate and ongoing management of the risks. Please refer to attachment A page 15.

72. There are no financial funding decisions required as a result of this report, and consequently there are no direct financial implications.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations
73. The Auckland Council’s emerging risks and issues are addressed in the body of this report.

Ngā koringa ā-muri Next steps
74. A facilitated risk workshop is being planned for October for the executive leadership team to review and identify the council’s top risks going forward.

75. The purpose of the workshop will be to review and reset the top risk profile and register to inform the top down risk management for the organisation in the next six to 12 months.

76. The next risk update will be provided to the Audit and Risk Committee on the enterprise risk activities and the management of the Council’s top risks in December 2020.
Attachments

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<tr>
<th>No.</th>
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<tr>
<td>A</td>
<td>Auckland Council Top Risk Report September 2020</td>
<td>29</td>
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<tr>
<td>B</td>
<td>Water Strategic Top Risk Assessment and Evaluation Summary</td>
<td>47</td>
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<td>C</td>
<td>Governing Body Report City Rail Link: Major Stakeholder decision 27 August 2020</td>
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Signatories

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<th>Authors</th>
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<tbody>
<tr>
<td>Emma Mosely - Chief Risk Officer</td>
</tr>
<tr>
<td>Caroline Innes Mehta - Senior Risk Advisor</td>
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<tr>
<td>Ann Brown - Senior Risk Advisor</td>
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<tr>
<td>Matthew Kerly - Risk Advisor</td>
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<tr>
<td>Helen Wild - General Counsel</td>
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<tr>
<td>Phil Wilson - Governance Director</td>
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Auckland Council
Top Risks Quarterly Review
September 2020

Executive Leadership Team Report

Emma Mosely, Chief Risk Officer (acting)
Matt Kerly, Risk Advisor
### Enterprise Top Risks – September 2020

<table>
<thead>
<tr>
<th>Top Risk</th>
<th>Risk Title</th>
<th>Risk Sponsor</th>
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<td>1</td>
<td>Health, Safety &amp; Wellbeing</td>
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<td>Climate Change - Adaptation &amp; Mitigation</td>
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<td>Crown Reforms - Housing &amp; Urban Growth</td>
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<td>5</td>
<td>Fit for Purpose Community Assets</td>
<td>Director Customer &amp; Community Services</td>
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<td>Water</td>
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<td>Māori Outcomes</td>
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**Reading the Top Risks**

- **Inherent Risk**: No change to risk profile
- **Residual Risk**: Trending Down, Trending Up
Residual Risk Heat Map – September 2020

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15 September 2020
# 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 Sponsor
- Director People and Performance

## Key Risk Driver(s)
- **People** – resilience, wellbeing and engagement
- **Process** – Inadequate design and/or implementation of the H&S policy and procedures.
- **Enterprise wide change process** – Model review
- **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
- Legal compliance

## Controls and mitigations comments

### Residual Risk Rating Rationale:
- See detailed controls in the Top Enterprise Risk Register.
- Design and implementation of HSW policy and procedures needs to be enhanced
- Auditing framework for assurance to be enhanced and embedded
- ELT due diligence gaps, top down approach
- Inconsistency of risk reporting and management across the organisation
- Ineffective critical risk monitoring
- Effectiveness of Risk Manager System under review (HS&W recording and monitoring of incidents and risks)
- Low percentage of HS&W training accreditation among people leaders & emergency wardens
- Design, implementation and testing gaps in Auckland Council’s Business Continuity Plan and Crisis Management Plan

### Actions to strengthen controls:
- To assist our people cope with the multiple challenges in our current environment i.e (Model review, COVID recovery etc) HS&W team has introduced new workshop on Tupu to boost mental wellbeing, find balance and build resilience.
- People who are part of a restructure change process and in an impacted role are eligible to register for support through the Career Transition Support programme.
- As we work through these challenges, Transition Unit is committed to be authentic and transparent throughout the process and keep the organisation informed at each phase.
- HS&W framework will be reviewed, ensuring it integrates consistent application of processes, procedures and policies across the organisation
- Auditing framework for assurance to be enhanced and embedded
- ELT due diligence policy to be developed and implemented
- Risk-profile council activities to identify critical risks to ensure suitable and effective control measures are implemented and monitored
- Improve risk identification and management at all levels of council
- Undertake a review of the Risk Manager electronic system
- Develop training policy and training needs analysis
- HS&W elements of the Business Continuity Plan & Crisis Management Plan to be reviewed

- Drought & climate change highlighted potential impacts and risk to people's health and resiliency in the face of adverse conditions.
- Council has organised building resilience programs to support mental health and wellbeing and resilience.
- Preparations for ACC Audit in February 2021 underway

## Status
## Top Risk 2 Cyber Security

<table>
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<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments:</th>
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<tr>
<td>Cyber security risk is the probability of exposure or loss resulting from a cyber attack or data breach on Council Group.</td>
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**Risk Sponsor:**
- Chief Financial Officer

**Key Risk Driver(s):**
- **People** – Ineffective training, malicious or unintentional employee activities.
- **Process** – Increased digitization without proper integration with processes and flexible working.
- **Systems** – Inadequate cyber security mechanisms. Technical failure to protect IT systems.
- **External** – Increasing cyber attacks

**Impacted:**
- Reputation
- Data loss and Business Interruption, denial of service.
- Financial loss
- Legal e.g., Non-compliance due to privacy breach
- Wellbeing and availability of ICT staff

**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.

**Actions to strengthen controls:**
- **Training** - Cyber Security and Phishing awareness and training mechanisms in place. Mandatory eLearning training for all staff — campaign commencing September 2020. 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)

- Recent Distributed Denial of Service (DDoS) attacks against NZX, MetService, TSB and Kiwibank point to a heightened risk environment.
- However, current control environment and resilience in the network mean the risk rating is not impacted at this time.
- Situation is being monitored using external partners and steps are being taken to prepare for a possible attack and disrupted network.
- Projects underway include enhanced email security, multi-factor authentication and network partner access. Programmes to be actioned next include Vulnerability Management enhancements, web property hardening, role-based access control and security automation.
Top Risk 3: Climate Change Adaptation & Mitigation

Status: Medium

Risk Description:
There is a risk that adaptation and mitigation actions (reducing greenhouse gas emissions) in response to climate change may not be adequately understood and/or actions taken to manage and/or reduce the impacts of climate change, leading to potential climate change events.

Risk Sponsor:
Chief of Strategy
Director of Infrastructure & Environmental Services

Key Risk Driver(s):
- Inadequate understanding of greenhouse gas emissions and climate change impacts
- Lack of robust systems and accessible data
- External - Increasing changes of extreme weather patterns from global warming

Impacts:
- Internal - Financial costs due to climate change impacts
- External - Financial costs due to climate change impacts

Actions to strengthen controls:
- Establishment of a coordinated approach to climate change across the council group and Council
- Increased awareness of Council and Māori stakeholders on climate change
- Informed Council to reduce and partly offset greenhouse gas emissions

Attachment A
Item 9

- Changing financial reporting & legislative drivers due to COVID-19 - challenges to meet agreed emission reduction targets and address key climate-related risks.
- Leverage the recovery phase to embed climate positive processes, structures and outcomes into organizational and system designs.
## Top Risk 4 Crown Reforms (Housing & Urban Growth)

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misalignment between the council and central government objectives for housing and urban growth caused by legislative reforms.</td>
<td></td>
<td></td>
<td></td>
<td><strong>Residual Risk Rating Rationale:</strong> See detailed controls in the Top Enterprise Risk Register.</td>
</tr>
<tr>
<td><strong>Risk Sponsor:</strong></td>
<td></td>
<td></td>
<td></td>
<td>- Government not slowing down with the legislative reform programme but is accelerating to respond to the COVID impacts and recovery strategy and more broadly in addition to RM Reform.</td>
</tr>
<tr>
<td>• Chief of Strategy</td>
<td></td>
<td></td>
<td></td>
<td>- The Urban Development Act empowers Kāinga Ora to undertake urban development activities. Delegations being put in place ahead of first Specified Development Area being proposed.</td>
</tr>
<tr>
<td><strong>Key Risk Driver(s):</strong></td>
<td></td>
<td></td>
<td></td>
<td>- Applications now being referred to the Minister under the COVID19 Recovery (Fast-track Consenting) Act. Staff guidance manual and delegations in place along with red flag system to alert elected members.</td>
</tr>
<tr>
<td>• People – Additional demand or competition for resources and/or capability of staff from new Crown agency.</td>
<td></td>
<td></td>
<td></td>
<td>- Staff are currently working through the impacts and changes required as a result of the National Policy Statement on Urban Development on growth modelling, monitoring and intensification.</td>
</tr>
<tr>
<td>• 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.</td>
<td></td>
<td></td>
<td></td>
<td>- While the relationship is currently working well, the Council/Crown relationship is even more important at this time. Programmes like the Joint Work Programme and Auckland Housing Programme. In place to manage key areas of joint work.</td>
</tr>
<tr>
<td>• 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.</td>
<td></td>
<td></td>
<td></td>
<td>- 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 in brownfield and greenfield areas. This is reflected in the Shovel Ready funded projects to date.</td>
</tr>
<tr>
<td><strong>Impacted:</strong></td>
<td></td>
<td></td>
<td></td>
<td>- The overall residual risk is considered to be adequately controlled at this time.</td>
</tr>
<tr>
<td>• Failure to deliver on housing and urban growth outcomes in the Auckland Plan.</td>
<td></td>
<td></td>
<td></td>
<td><strong>Actions to strengthen controls:</strong></td>
</tr>
<tr>
<td>• Failure to anticipate and implement plans for the delivery of the regulatory and service functions</td>
<td></td>
<td></td>
<td></td>
<td>- The GM working group members, led by Megan Tyler Chief Strategic Officer, are taking the lead engagement with the Crown and managing risk around housing and urban growth.</td>
</tr>
<tr>
<td>• Council not ready and resourced for reforms</td>
<td></td>
<td></td>
<td></td>
<td>- Through the Auckland Council and Crown Joint Work Programme on Urban Growth and Housing discussions are progressing around joint spatial priority areas. This will assist in providing a focus for any future Crown funding rounds.</td>
</tr>
</tbody>
</table>

---

Parliament has adjourned for the central government election 2020. The crown reform programme has been impacted and adjusted through the COVID-19 response and recovery. The housing, growth and environmental reforms are anticipated to continue at pace. Challenges and opportunities concerning engagement and alignment with the Crown continue and are requiring careful and proactive management.
Top Risk 5 Fit for Purpose Community Assets

Risk Description

<table>
<thead>
<tr>
<th>Status</th>
<th>Critical</th>
<th>High</th>
<th>Medium</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.

Risk Sponsor: Director Customer & Community Services

Key Risk Driver(s)

- People - inadequate suppliers, staff capacity and capability, non-compliance with regulatory and legislative obligations
- Process - Inconsistent and poor coordination of significant asset risks across council eg asbestos, mould, seismic, durability, weather-tightness, geotechnical and natural hazard risk; inaccurate and delayed asset information and data
- Systems - lack of standardised processes and systems, lack of tools to manage the asset utilisation, criticality, maintenance and performance
- External - existing residual risks that cannot be removed (e.g. closed landfills), funding shortfalls

Impacted:

- 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.

Residual Risk Rating Rationale:

- See detailed controls in the Top Enterprise Risk Register.
- The roles and responsibilities for managing community assets within Community Facilities have been clarified and simplified to improve data quality, decision-making and optimise cost, risk management and performance across asset lifecycles
- Clearer roles and responsibilities for asset data management, investment planning and business improvement within Community Facilities were established (March 2020) to support effective coordination, communication, collaboration and greater integration of decisions, processes and risk management
- Integrated program approach in development within directorate
- 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.

Actions to strengthen controls:

- LTP reallocation of budget – assessment of costs and benefit process to address misalignment of assets, risks and current and emerging issues.
- Improvement plan and risk register (in development) as part of Community Strategic Service and Asset Management Plan (August 2020)
- 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.
- Community Strategic Service and Asset Management Plan (in development) and Facility Performance Assessment (underway)
- 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.
- Earthquake-Prone Buildings Working Group oversight of Seismic Programme and associated policy – established March 2020
- Capital and Asset Planning Steering Group – oversight of asset planning and delivery – meets monthly, cross-Council representation
- Re-organisation of community facilities department including the asset management intelligence function – completed March 2020
- Review Competency Framework – Sign off process, level of knowledge, approving decisions etc

Drought and other extreme weather events will make some community assets unavailable for events run by Council and third parties

Potential for issues with newly vested assets from developers – water shortages and restrictions limit what can be planted and what landscaping can be undertaken prior to vesting, for example in public reserves
Top Risk 6 Business Disruption

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of a significant disruption to Auckland Council’s ability to deliver services and meet legislative requirements</td>
<td></td>
<td></td>
<td></td>
<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
<td></td>
</tr>
<tr>
<td>Risk Sponsors:</td>
<td></td>
<td></td>
<td></td>
<td>• Design, review and testing of business continuity and crisis management frameworks are overdue</td>
<td></td>
</tr>
<tr>
<td>• Director Customer &amp; Community Services</td>
<td></td>
<td></td>
<td></td>
<td>• Inconsistent business continuity and contingency planning across the organisation;</td>
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<tr>
<td>• Director Executive Programmes</td>
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<td></td>
<td>• No business impact analysis conducted;</td>
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</tr>
<tr>
<td>Key Risk Driver(s)</td>
<td></td>
<td></td>
<td></td>
<td>• No BCP resource within Auckland Emergency Management for both business continuity and crisis management (internal) as well as regional civil defence management (external);</td>
<td></td>
</tr>
<tr>
<td>• People - Insufficient resources or capability; Inconsistent application of practices and expected behaviours, poor understanding of obligations under the CDEM Act 2002 and BCM arrangements, accountabilities and responsibilities</td>
<td></td>
<td></td>
<td></td>
<td>• Allocated FTE resource towards BCP &amp; CMT insufficient</td>
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<tr>
<td>• Process - Ineffective design and implementation of frameworks (business continuity management and crisis management)</td>
<td></td>
<td></td>
<td></td>
<td>• Governance, reporting, escalation and assurance processes in relation to business continuity for Auckland Council needs to be implemented</td>
<td></td>
</tr>
<tr>
<td>• Systems - Inadequate risk and BCP systems or technology, applications, lack of internal emergency crisis notification ability – eg all staff urgent alert system, loss of building/s and assets and inadequate alternatives</td>
<td></td>
<td></td>
<td></td>
<td>• Connectivity with other teams across council needs to be strengthened.</td>
<td></td>
</tr>
<tr>
<td>• External - Emergencies such as a natural disasters, technology and/or common failure, pandemic, power failure or cyber attack; third party or supply chain issues; interdependency failure/s; Legislative obligations - complex roles and relationships multi parties</td>
<td></td>
<td></td>
<td></td>
<td>Actions to strengthen controls:</td>
<td></td>
</tr>
<tr>
<td>• Drought</td>
<td></td>
<td></td>
<td></td>
<td>• Consider structural changes to ensure adequate resourcing and fit for purpose framework.</td>
<td></td>
</tr>
<tr>
<td>• COVID Impacted:</td>
<td></td>
<td></td>
<td></td>
<td>• Clarify responsibility/accountability during business continuity planning and business continuity response and define the response framework through the Crisis Management Team – NEMA will be working with AEM in October</td>
<td></td>
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<tr>
<td>• Operational;</td>
<td></td>
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<td></td>
<td>• BIA to be completed</td>
<td></td>
</tr>
<tr>
<td>• Legal/contractual;</td>
<td></td>
<td></td>
<td></td>
<td>• Agree and establish resourcing for BCM within AEM</td>
<td></td>
</tr>
<tr>
<td>• Financial;</td>
<td></td>
<td></td>
<td></td>
<td>• Complete post event review to capture learnings from COVID pandemic business continuity response</td>
<td></td>
</tr>
<tr>
<td>• Health, Safety and wellbeing</td>
<td></td>
<td></td>
<td></td>
<td>• Establish working relationships with CCC’s business continuity leads</td>
<td></td>
</tr>
<tr>
<td>• Loss of trust and confidence in Auckland Council</td>
<td></td>
<td></td>
<td></td>
<td>• Establish assurance programme (documentation, monitoring, auditing, reporting, testing) to improve risk management, visibility and oversight, accountability, collaboration and commitment to corporate resilience.</td>
<td></td>
</tr>
<tr>
<td>• Drought, climate change and other extreme weather events represent risks to ongoing Council operations</td>
<td></td>
<td></td>
<td></td>
<td>• Centralised template database to keep a track of the mitigating strategies and reporting on a regular database.</td>
<td></td>
</tr>
<tr>
<td>• COVID-19 resurgence and changes in Alert levels and restrictions and cyber attacks increasing potential for business disruption and continuity risks</td>
<td></td>
<td></td>
<td></td>
<td>• Effective business continuity processes for essential services e.g. Libraries, pools</td>
<td></td>
</tr>
<tr>
<td>• Testing the BCP process for essential services from various lens such as Health and safety etc.</td>
<td></td>
<td></td>
<td></td>
<td>• Testing the BCP process for essential services from various lens such as Health and safety etc.</td>
<td></td>
</tr>
</tbody>
</table>
Top Risk 7: Service Delivery

**Risk Description:** Council may be unable to maintain and deliver services and/or meet service performance targets.

**Risk Sponsor:** Director Customer & Community Services

**Key Risk Driver(s):**
- Inadequate Processes:
  - Consistent and/or effective performance monitoring of service level targets.
  - Due diligence in vendor selection.
  - Contract management and supervision competencies.
  - Investment in infrastructure to meet future needs.
  - Communication to citizens, customers and communities.
  - Robust financial controls or a financial system which provide an up-to-date reporting ability.
  - Alignment between delivery expectations and budgets.
  - Alignment between expectations and budget, resourcing, inadequate communications with customers, poor vendor selection and contract management.

**People:**
- Sufficient resources and/or capability of staff.
- Adherence to the project control framework.
- Capability in performing comprehensive cost benefit analysis.
- Perceived decreased or lack of understanding of communities needs.
- Poor or declining levels of customer service and experience.
- Poor integration between aspirations and objectives of local boards, GB and CCOs and project outcomes.
- Ineffective relationship with Central Government in relation to forward planning for infrastructure.

**Impact:**
- Adverse impacts on communities
- Financial loss
- Service levels and ability to deliver for Auckland
- Reputational damage
- Loss of trust and confidence

**Residual Risk Rating Rationale:**
- See detailed controls in the Top Enterprise Risk Register.
- Service Performance Targets are part of the LTP—under review as part of 2021-2031 LTP
- Implemented Service Strategy, supported by Community Facilities Network Plan, Local Board plans and Asset Management programme.
- Embed community empowerment model within ACE and extend progressively across council.
- Programme manager and Work stream leaders are out seeking relevant groups to inform of process. Work stream leads are also contacting relevant staff where required (including CCOs).
- Initiating early discussion between governing body and local boards to reach agreement on mutually acceptable completion dates for draft agreements.
- Service performance targets have been defined as part of the LTP. These will be monitored and reported regularly.

**Actions to strengthen controls:**
- Community Strategic Service and Asset Management Plan (in development) to inform LTP
- Service Performance Targets under review as part of 2021-2031 LTP
- Implement a centralised complaints & claims management systems to assist us follow a continuous quality improvement process.

- Service levels could be significantly impacted by drought and climate change – potential for cancellations of events run by Council and third parties.
- Low-lying facilities and operations run by Council and third-party contractors at risk from coastal inundation and other flooding risks
- Risks to international supply chains and distribution networks
### Top Risk 8 Water

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential inability to effectively and sustainably manage and meet Auckland’s water needs.</td>
<td></td>
<td></td>
<td></td>
<td>Residual Risk Rating Rationale: See detailed controls in the Top Enterprise Risk Register.</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Sponsor:</strong></td>
<td></td>
<td></td>
<td></td>
<td>Actions to strengthen controls:</td>
<td></td>
</tr>
<tr>
<td>• Director Infrastructure &amp; Environmental Services</td>
<td></td>
<td></td>
<td></td>
<td>Develop a comprehensive Auckland Water Strategy encompassing a group approach to taking care of natural waterbodies; meeting daily water needs; managing growth and development; and preparing for changes in the environment.</td>
<td></td>
</tr>
<tr>
<td><strong>Key Risk Driver(s):</strong></td>
<td></td>
<td></td>
<td></td>
<td>Water Supply:</td>
<td></td>
</tr>
<tr>
<td>• People – Increased extreme weather events straining resources, lack of or inadequate cross-council collaboration</td>
<td></td>
<td></td>
<td></td>
<td>• Aligned Asset Management Plans to ensure plans talk to each other and understand shared outcomes (Healthy Waters, Watercare and Auckland Transport)</td>
<td></td>
</tr>
<tr>
<td>• Process - Inadequate data and asset understanding, poor long-term planning, lack of funding</td>
<td></td>
<td></td>
<td></td>
<td>• Stream improvements by Healthy Waters (planting and reinstating)</td>
<td></td>
</tr>
<tr>
<td>• Systems - Inadequate technology upgrades</td>
<td></td>
<td></td>
<td></td>
<td>• Groupwide projects - eg Central Interceptor (Watercare) / Western Isthmus Water Quality Improvement Programme (Healthy Waters)</td>
<td></td>
</tr>
<tr>
<td>• External - Climate change (incl. drought and flooding), limited access to potable water sources, population change, changes to land use, central government changes (eg 3-waters bill)</td>
<td></td>
<td></td>
<td></td>
<td>• Develop options for non-municipal supply communities - alternative water sources eg bore supplies</td>
<td></td>
</tr>
<tr>
<td><strong>Impacted:</strong></td>
<td></td>
<td></td>
<td></td>
<td>Environmental:</td>
<td></td>
</tr>
<tr>
<td>• Water supply – including the quality and quantity of water</td>
<td></td>
<td></td>
<td></td>
<td>• Water Safety Plans improvement schedule</td>
<td></td>
</tr>
<tr>
<td>• Environmental – disease spread, biodiversity loss, waterway health</td>
<td></td>
<td></td>
<td></td>
<td>• Regional catchment management plans</td>
<td></td>
</tr>
<tr>
<td>• Council’s consumption of water and ability to provide services</td>
<td></td>
<td></td>
<td></td>
<td>• Natural Hazard risk management action plan</td>
<td></td>
</tr>
<tr>
<td>• Funding – lost revenue from cancelled events and increases in unbudgeted costs</td>
<td></td>
<td></td>
<td></td>
<td>• Natural Environment Strategy team</td>
<td></td>
</tr>
<tr>
<td>• Reputational damage</td>
<td></td>
<td></td>
<td></td>
<td>Council’s consumption of water:</td>
<td></td>
</tr>
<tr>
<td>• Statutory compliance</td>
<td></td>
<td></td>
<td></td>
<td>• Drought Crisis Management Team monitoring and escalating Council’s use of water and impacts of water restrictions</td>
<td></td>
</tr>
<tr>
<td>• Key insights from pulse check have informed a full risk review and are reflected in the reporting</td>
<td></td>
<td></td>
<td></td>
<td>• Drought response regime</td>
<td></td>
</tr>
<tr>
<td>• Heightened risk due to compounding challenges of COVID-19 and drought emergency</td>
<td></td>
<td></td>
<td></td>
<td>• Healthy Waters working with the Sustainability office on identification and assessment of alternative water sources</td>
<td></td>
</tr>
</tbody>
</table>

- Key insights from pulse check have informed a full risk review and are reflected in the reporting
- Heightened risk due to compounding challenges of COVID-19 and drought emergency
- Addressing the heightened risk through ongoing monitoring and mitigation measures via the drought Crisis Management Team
**Top Risk 9 Programme and Project Delivery**

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme and Project Delivery - project management, including the management of interdependencies and risks is inadequate.</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>Risk Sponsor:</td>
<td></td>
<td></td>
<td></td>
<td>• Staff training investment needs to continue for project management understanding.</td>
</tr>
<tr>
<td>Key Risk Driver(s)</td>
<td></td>
<td></td>
<td></td>
<td>• Regular post performance reviews and reporting across the enterprise. (Control owner: GM, Financial Transformation)</td>
</tr>
<tr>
<td>• People – Training/ awareness. Flexible working challenges</td>
<td></td>
<td></td>
<td></td>
<td>• Project risk framework development including management oversight, risk tolerances and escalation.</td>
</tr>
<tr>
<td>• Process – Cost constraints to training and to improve complex and standalone systems without proper integration with processes</td>
<td></td>
<td></td>
<td></td>
<td>Actions to strengthen controls:</td>
</tr>
<tr>
<td>• System – Standalone and not integrated with process</td>
<td></td>
<td></td>
<td></td>
<td>• Training - Investment Delivery Framework - about to trial the programme framework with Parks, Sports and Recreation. The framework will then be rolled out across other business units by 31/10/2020</td>
</tr>
<tr>
<td>• External – Re prioritisation due to COVID environment leading to non delivery</td>
<td></td>
<td></td>
<td></td>
<td>• System - Communication and monitoring of the use of the Sentient system. Enhance reporting and need for consequence management. Great progress has already been made with Community Facilities, Healthy Waters, Environmental Services, Parks, Sports &amp; Rec (PSR) and ICT departments pathways and gates will be tailored for each team and full pathway training across these areas are scheduled for October.</td>
</tr>
<tr>
<td>Impacted:</td>
<td></td>
<td></td>
<td></td>
<td>• Framework - Project Risk Framework - The Our Charter has been completed and we will be communicating that over the next few weeks. Risks are part of that and has already been incorporated into the PM101 training since March 2020.</td>
</tr>
<tr>
<td>• budget and scope overruns</td>
<td></td>
<td></td>
<td></td>
<td>• Potential for critical shortages in some areas may impact work and delay project completions – excessive market demand for pipes and pumps might lead to delays or inability to procure materials, and some materials are highly water dependent in their manufacture and might not become available.</td>
</tr>
<tr>
<td>• project delays</td>
<td></td>
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<tr>
<td>• substandard construction</td>
<td></td>
<td></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>
<tr>
<td>• adverse environmental impacts</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• financial loss (including return on investment / benefit realisation not met)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• reputation damage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Inability to meet LTP project deliverables.</td>
<td></td>
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</tr>
</tbody>
</table>
## Top Risk 10  Consent Processing

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of Inconsistent, delayed, unauthorised or inadequate consenting processes</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Risk Sponsor:**
- Director Regulatory Services

**Key Risk Driver(s):**
- Process - Regional consistency implementing Building Consenting Authority Policies & Procedures
- People - High turnover of competent staff, work overload
- System - (SAP, New Core and Hybris) not fit for purpose
- External - Third party dependency/poor quality application/disconnected external stakeholder relationships (lack of focus on outcomes); increase in demand & complexity of projects/policy & Reg changes etc.
- Construction contracts that drive challenging relationships and inefficient processes

**Impacted:**
- Poor Customer Experience
- Financial - loss of license as a building consent authority, hinderance to economic development
- Reputational Damage
- Environmental - building stock does not perform. Cost to community, claims impacting ratepayer and loss of developer confidence in building in Auckland

**Residual Risk Rating Rationale:**
- See detailed controls in the Top Enterprise Risk Register.
  - Complex Building consenting process
  - Skilled resource planning, training and recruitment gaps
  - Unable to demonstrate absolute compliance with Statutory Clock
  - Sole dependency on SAP without the best ability to utilize “best of breed” SAP compatible proprietary system.
  - Lack of robust quality assurance systems in many parts of the design and construction industry
  - Sub-optimal internal quality assurance systems to enhance effective outcomes for the organization and the customer.
  - Territorial Authorities are dis-proportionately liable for remediation costs associated with non-performing building work.

**Actions to strengthen controls:**
- Excellence Programme being progressed by the Operations and Optimisation department to create a more agile and customer-centric regulatory service delivery
- Working with the Finance team & P&P to enhance existing workforce management to better predict future competency and capacity requirements
- Develop a Code of Practice for Processing Officers for training and consistency
- Work with O&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
- Collaborate and educate the design and construction industry on the need and requirement to develop/enhance their quality assurance system
- Work with new Operations and Optimisation (O&O) department to develop a more tailored internal quality assurance system to meet business needs

- Potential increased demand on resources for consenting – increased number of consents received; consents reviewed will need to be robustly assessed for climate and environmental impacts
### Top Risk 11  Fraud & Corruption

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential for internal or external corruption, bribery, fraud, theft or other unethical and dishonest behaviours perpetrated within or against Council.</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 Sponsor:</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>Tone from the Top:</strong></td>
</tr>
<tr>
<td>• Governance Director</td>
<td></td>
<td></td>
<td></td>
<td>• Audit and Risk Committee oversight and Our Charter;</td>
</tr>
<tr>
<td><strong>Key Risk Driver(s):</strong></td>
<td></td>
<td></td>
<td></td>
<td>• Resources and capability:</td>
</tr>
<tr>
<td>• People - poor culture, complacency, emotionally and financially stressed staff, training and awareness</td>
<td></td>
<td></td>
<td></td>
<td>• Dedicated resources for the prevention of corrupt behaviours, proactive training and awareness, advice and guidelines for elected members;</td>
</tr>
<tr>
<td>• Process - breakdown of, and poorly designed, internal controls, inadequate channels to speak up</td>
<td></td>
<td></td>
<td></td>
<td>• System and process controls:</td>
</tr>
<tr>
<td>• System - online and remote working controls and oversight, user management access controls</td>
<td></td>
<td></td>
<td></td>
<td>• Budget setting and monitoring, delegations of Financial Authority, segregation of duties, vendor and payroll master file controls, robust internal and external recruitment processes;</td>
</tr>
<tr>
<td>• External - collusion between staff and suppliers; external attempts to influence staff and to perpetrate fraud against council</td>
<td></td>
<td></td>
<td></td>
<td>• Physical security, ICT security controls, Ariba processes and anti-money laundering framework;</td>
</tr>
<tr>
<td><strong>Impacted:</strong></td>
<td></td>
<td></td>
<td></td>
<td>• Annual Conflict of Interest Declarations reminders for all staff and public publishing of the Gift Register;</td>
</tr>
<tr>
<td>• breach of statutory and regulatory requirements</td>
<td></td>
<td></td>
<td></td>
<td>• 0800 integrity line &amp; speak up framework – group wide (incl CCOS)</td>
</tr>
<tr>
<td>• legal liability</td>
<td></td>
<td></td>
<td></td>
<td>Detection Controls:</td>
</tr>
<tr>
<td>• loss of ability of Council to perform its functions and duties</td>
<td></td>
<td></td>
<td></td>
<td>• Assurance Strategy and work program incl data analytics, coordinated process for sharing of critical information between Assurance and Risk;</td>
</tr>
<tr>
<td>• Independence of Council and its staff called into question</td>
<td></td>
<td></td>
<td></td>
<td><strong>Actions to strengthen controls:</strong></td>
</tr>
<tr>
<td>• Loss of trust and confidence in Auckland Council.</td>
<td></td>
<td></td>
<td></td>
<td>• Communications Strategy – Reinforce tone from the top, build awareness around policies and e-learnings in place;</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td>• Embed Speak Up – Embed framework and group processes, raise awareness and improve cross speak up channel coordination and collaboration;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Risk and Assurance integration – Continuing programme to coordinate Risk and Assurance team work programmes, and sharing of information;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Refocused assurance audits and data analytic checks on internal controls for security, access, financial spend etc. COVID 19 Level 4 audit programme checks continuing (line 2 and 3 audits).</td>
</tr>
</tbody>
</table>
Top Risk 12  Financial Management

Risk Description
Potential inability to prudently manage Council’s financial obligations as expected.

Risk Sponsor:
• Chief Financial Officer

Key Risk Drivers
• People - Fraud, Error, inaccurate modelling, ineffective training, malicious or unintentional employee activities, key person risk.
• Process - Loss of operating revenue from Community facility closures (public libraries, community halls, swimming pools, stadiums, etc.), reduction in development contributions, financial contributions, and consenting fees, business license fees as a result of business closures, loss of dividends and investment income.
• External - Further COVID-19 pandemic waves, external political pressure, market volatility, credit related (borrowing ability), asset and funding liquidity, Auckland drought conditions, economic downturn, legislative environment changes.

Impacted:
• Reputation: Failure to deliver key initiatives, maintain trust and confidence
• Financial stability & sustainability
• Legal e.g. Non-compliance to changing legislation

Controls and mitigations comments:

Residual Risk Rating Rationale:
See detailed controls in the Top Enterprise Risk Register.
The Financial risk is being managed proactively by AC Group. Whilst the Council group is pivoting to be more efficient and effective and responsive to the community and political landscape, there are many variables and changing priorities which requires time and investment to minimise medium term adverse impacts during to this change. The following controls are in place to mitigate this risk:
• Policies: Financial Strategy, Infrastructure Strategy, Treasury Management Policy, Procurement Policy, Speak Up and protected disclosures policy and related plans and policies
• Processes: Embedded processes involving multi-disciplinary project groups to compile Long Term Plans, Annual Budgets, and Annual Reports
• Systems: Use of SAP as council’s ERP system, utilising inbuilt workflows and delegated financial authorities, information security, password changes and segregation of duties-based access profiles
• Monitoring and Reporting through ELT dashboards, quarterly reports to Finance & Performance Committee, and updates to Audit & Risk Committee and Strategic Procurement
• Use of three “lines of defence” model incorporating business ownership of transactions, internal audit and external audit
• Employment of specialist roles to lead specific functions such as Group Financial Controller, Group Treasurer, Group CFO, Head of Assurance Services. Council employs many qualified accounting staff who have specific ethical requirements and external oversight as part of their membership.

Actions to strengthen controls:
• Ongoing testing of assumptions and methodology by review process through Audit & Risk Committee (for Long Term Plans and Annual Plans)
• Scenario modelling of debt parameters with credit rating agencies to assess likelihood of downgrading

• Funding issues exacerbated by climate change – cost of funding for mitigating and adapting to climate change, potential loss of revenue due to cancellation of events, more need for unbudgeted capex works
## Top Risk 13 - Recovery Risk

**Potential failure to lead, co-ordinate and collaborate with central Govt, local businesses and communities on recovery activities.**

*It's an overall Recovery risk not specific to Civil Defence/AEM*

**Risk Sponsor:**
- Group Recovery Manager COVID-19

**Key Risk Driver(s):**
- **External** - Central and local government strategy and execution not aligned, increasing COVID-19 cases/additional Risk event (drought), public expectations, preference to return to previous norms, failing to take up opportunities to adapt and become more resilient
- **People** - staff health, wellbeing, lower morale and engagement, lack of good relationships, collaboration, communication leadership, misallocation of resources due to short term pressure, insufficient funding to meet delivery expectations, lack of balancing Council & Auckland Emergency Management resource allocation
- **Process** - Governance, roles and responsibilities and execution - misalignment and/or inefficiencies, lack of internal co-ordination & communication across teams (top down and bottom up), Council’s operating model, ongoing recovery program not sustained, constraints – Emergency budget, transition and barriers to multiagency collaboration

**Impacted:**
- Health, Safety & Wellbeing Risk
- Reputation Risks
- Financial Risk
- Operational Risk
- Poor Customer/community experience
- Regulatory & Legal Risk
- Environmental Risk

**Residual Risk Rating Rationale**

*See detailed Top Enterprise Risk Register*

**Actions to strengthen controls:**
- Gathering information (Good practices, Quantifying and qualifying community impacts and consequences, activities underway across Auckland’s communities, whole of government recovery will look like nationally, regionally & locally)
- All of Government Auckland leadership group has been established that includes representation of Auckland council.
- Inclusion of Tamaki Makaurau Mana Whenua forum in the regional leadership group has been formalised.
- A workstream focused on data has been added to the social economic workstreams.
- Further development of structures for coordination of recovery and clarification of roles is being advanced focused on delivery of the work program.
- Collation of coordinated activities will be ongoing.
- Close coordination between recovery team (Governance) and Transition unit (P&P), Emergency Budget process, big brainstorm
- All of Government Communications has been established as an ongoing workstream.

**Opportunities:**
- Auckland’s Diversity is a strength – Access and tap into resources across Auckland Council groups and external groups to better communicate and engage Auckland’s diverse communities.
- Learning new ways to work effectively across All Of Government for the benefit of Aucklanders

- Further restrains to economic budget, Commercia and Communities will be under more pressure of recessions due the implementation of the mandatory water restrictions levels.
## Top Risk 14  Māori Outcomes

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential risk of not adequately delivering outcomes with Māori in a COVID-19 environment where Māori are likely to be disproportionately impacted.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Risk Sponsor:**
- GM Ngā Mātārae / Māori Outcomes

**Key Risk Drivers:**
- **People** - capability of organisation and number of Māori specialist staff to support the organisation, availability of staff - budget and staff reductions and capacity of staff with greater workloads to support Māori communities on top of BAU, stress and resilience of key staff members
- **Process** - Annual and long-term plan, Te Tiriti o Waitangi Audit, new processes being developed post COVID-19
- **System** - Lack of adequate ICT infrastructure, inadequate procurement tools and processes
- **External** - Complex and fast-moving environment, increased demand on capacity, legal obligations

**Impacted:**
- Support for Māori communities at a time of need
- Ability to meet statutory obligations to Māori
- Legislative compliance
- Relationship between Māori and council
- Loss of trust and confidence in Auckland Council
- Delivery of objectives

### Control and mitigation comments

**Residual Risk Rating Rationale:**
- See detailed Top Enterprise Risk Register

**People:**
- Our Charter – We honour te Tiriti o Waitangi. Bottom line – We comply with the Māori Responsiveness Plans that apply to us
- Capability – training, Quality Advice programme, Māori Responsiveness Plans for each department and CCOs

**System:**
- Te Mātāpuna – Māori Information Portal for self-service

**Funding:**
- Māori Outcomes fund – allocated to Māori led initiatives

**Strategy:**
- Kia Ora Tāmaki Makaurau – Māori Outcomes Performance Measurement Framework, approved by PACE committee and being implemented by council group
- Te Tiriti o Waitangi Audit programme including action plans
- Organisational strategy – Transition unit and model review, Māori Specialist & dedicated roles

**Monitoring and Reporting:**
- Visibility across spending and outcomes including procurement and finance tools;
- Monthly ELT performance reporting on Treaty and Māori Outcomes
- Waharoa monitoring and Audit and Risk Committee oversight

**Actions to strengthen controls:**
- Implementation of Kia Ora Tamaki Makaurau through Long-term Plan, business planning and Māori responsiveness plan processes
- Improvements and extensions to Te Mātāpuna – work programme to further develop and increase traffic / use of self-service portal, including analysis of service requests to discover trends and themes
- Māori Outcomes steering prioritisation to ensure the Māori outcomes fund is aligned to strategic objectives. This includes ensuring that the fund is supporting Māori led initiatives to respond to COVID-19
- Improvements to procurement and finance tools - processes and system for payments to Māori partners and stakeholders and to ensure prioritisation of Māori Outcomes
- Development of a relationship framework to more effectively engage with Māori

**Status**
Ngā mihi nui ki a koe

Thank you from the Risk Team
Water Risk

Risk Drivers / Causes

People:
- Increased frequency & severity of extreme weather events straining resources
- Lack of or inadequate cross-council collaboration – siloed approach to decision making and implementation

Process:
- Inadequate asset understanding and management
- Potential of providing poor quality information to decision makers
- Inadequate and reduced funding eg, emergency budget, reduced water usage leading to reduced revenue, i.e. Watercare
- Poor long-term planning and strategies
- Outsourcing to third parties to manage without clear strategies (eg Watercare, other contractors)

Systems:
- Inadequate technology and technology upgrades

External:
- Drought, climate change and extreme weather events
- Limits on availability of potable water
- Population changes – eg population growth and intensification
- Land use changes
- Central government legislation - eg new legislation (3-waters bill), changes and interpretations in regulations

Risk Event
Potential inability to effectively and sustainably manage and meet Auckland’s water needs.

Impacts

Water supply – quality & quantity:
- Council unable to provide relief to drought stricken users / areas
- Council unable to provide services (either directly or through contractors) and operations to communities
- Increased use of non-potable water for drinking

Environmental:
- Water taken in emergency situations could bring unforeseen, negative environmental impacts
- Unable to preserve ecological health of urban streams and coastal waters
- Spread of diseases – eg Kauri dieback
- Potential for higher than normal volume of waste sent to landfill

Council as a user of water:
- Construction projects delayed
- Council offices and facilities closed
- Delays to planting programmes
- Public spaces / sport fields potentially not maintained and not available for use
- Green coverage lost / surfaces not fit for purpose

Financial:
- Revenue lost due to cancellation of events and potential rent suspension for tenants unable to operate with water restrictions
- Increase in unforeseen and additional unbudgeted costs

Reputation:
- Loss of trust and confidence in Council
## Top Risk 8 – Water

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Controls and mitigations comments</th>
</tr>
</thead>
</table>
| Potential inability to effectively and sustainably manage and meet Auckland’s water needs. | | | | Residual Risk Rating Rationale:  
See detailed controls in the Top Enterprise Risk Register. |
| Risk Sponsor: | | | | Actions to strengthen controls:  
Develop comprehensive Auckland Water Strategy encompassing a group approach to taking care of natural waterbodies; meeting daily water needs; managing growth and development; and preparing for changes in the environment. |
| • Director Infrastructure & Environmental Services | | | | Water Supply:  
- Aligned Asset Management Plans to ensure plans talk to each other and understand shared outcomes (Healthy Waters, Watercare and Auckland Transport)  
- Stream improvements by Healthy Waters (planting and reinstating)  
- Groupwide projects – eg Central Interceptor (Watercare) / Western Isthmus Water Quality Improvement Programme (Healthy Waters) |
| Key Risk Driver(s) | | | | Environmental:  
- Water Safety Plans improvement schedule  
- Regional catchment management plans  
- Natural Hazard risk management action plan  
- Natural Environment Strategy team  
- Auckland’s Climate Plan – “too much water” work programme  
- Council’s consumption of water:  
  - Drought Crisis Management Team meeting fortnightly monitoring and escalating Council’s use of water and impacts of water restrictions  
  - Drought response regime  
  - Healthy Waters working with the Sustainability office on identification and assessment of alternative water sources |
| • People – increased extreme weather events straining resources, lack of or inadequate cross-council collaboration  
• Process – inadequate data and asset understanding, poor long-term planning, lack of funding  
• Systems – inadequate technology upgrades  
• External – Climate change (incl. drought and flooding), limited access to potable water sources, population change, changes to land use, central government changes (eg 3-waters bill) | | | | Impacted:  
- Water supply – including the quality and quantity of water  
- Environmental – disease spread, biodiversity loss, waterway health  
- Council’s consumption of water and ability to provide services  
- Funding – lost revenue from cancelled events and increases in unbudgeted costs  
- Reputational damage  
- Statutory compliance |

- Key insights from pulse check have informed a full risk review and are reflected in the reporting  
- Heightened risk due to compounding challenges of COVID-19 and drought emergency status declared  
- Addressing the heightened risk through ongoing monitoring via the drought Crisis Management Team
<table>
<thead>
<tr>
<th>Control ID</th>
<th>Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.01</td>
<td>Incident response plans and business continuity plans in place and fit for purpose at decision support staff and assistance during significant events.</td>
</tr>
<tr>
<td>8.02</td>
<td>Linked Asset Management Plan</td>
</tr>
<tr>
<td>8.03</td>
<td>Identification of additional sites without treatment equipment</td>
</tr>
<tr>
<td>8.04</td>
<td>Water Safety Plans (WSP) Improvement Schedule</td>
</tr>
<tr>
<td>8.05</td>
<td>Water Safety Plans (WSP) Improvement Schedule</td>
</tr>
<tr>
<td>8.06</td>
<td>Water safety plans improvement schedule.</td>
</tr>
<tr>
<td>8.07</td>
<td>Funding security / certainty through Water Targeted Rates</td>
</tr>
<tr>
<td>8.08</td>
<td>Comprehendable Auckland Water Strategy</td>
</tr>
<tr>
<td>8.09</td>
<td>Clear strategies and Models to third parties and other bodies engaged</td>
</tr>
<tr>
<td>Item 9</td>
<td>Attached B</td>
</tr>
</tbody>
</table>

---

**Audit and Risk Committee**

15 September 2020

Auckland Council Top Risk Quarterly Update - September 2020
<table>
<thead>
<tr>
<th>Control ID</th>
<th>Controls</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.10</td>
<td>Crisis Management Team responding to Council’s consumption and use of water as a consumer</td>
<td></td>
</tr>
<tr>
<td>8.11</td>
<td>Natural Hazard Risk Management Action Plan</td>
<td></td>
</tr>
<tr>
<td>8.12</td>
<td>Auckland’s Climate Plan - “too much water” work programme</td>
<td></td>
</tr>
<tr>
<td>8.13</td>
<td>Drought Crisis Management Team meeting fortnightly monitoring and escalating Council’s use of water and impacts of water restrictions</td>
<td></td>
</tr>
<tr>
<td>8.14</td>
<td>Healthy Waters working with the Sustainability office on identification and assessment of alternative water sources</td>
<td>Identify operations / activities that can use non-potable water, for example root-cutting and flushing</td>
</tr>
<tr>
<td></td>
<td>Drought response regime - Healthy Waters working with Sustainability Office on identification and assessment of alternative water sources.</td>
<td>Prioritise provision of potable water for certain regional parks and essential works</td>
</tr>
<tr>
<td></td>
<td>Encourage installation and use of rainwater tanks</td>
<td>Identify sites for closure should water restrictions increase</td>
</tr>
<tr>
<td></td>
<td>Increase use of non-potable water and identification of more sources of suitable water</td>
<td>Provide specific sites for the provision of non-potable water suitable for housewashing, or other vapour creating commercial uses</td>
</tr>
<tr>
<td></td>
<td>Regional Catchment Management Plans</td>
<td>Storm water models that take into account climate change and sea level rise</td>
</tr>
<tr>
<td>8.16</td>
<td>Storm water models that take into account climate change and sea level rise</td>
<td></td>
</tr>
<tr>
<td>8.17</td>
<td>Stream Improvements by Healthy Waters</td>
<td>Planting and reinstating currently ongoing.</td>
</tr>
<tr>
<td>8.18</td>
<td>Natural Environment Strategy Team</td>
<td>Newly established team. Working to embed improved environmental outcomes in council activities</td>
</tr>
</tbody>
</table>
### Enterprise Risk Framework

#### Likelihood & Impact

**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>

<table>
<thead>
<tr>
<th>Impact Categories</th>
<th>1 = Significant</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></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Reputation</td>
<td></td>
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</tr>
<tr>
<td>Legal &amp; Compliance</td>
<td></td>
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**Impact Table**

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<tr>
<td>Reputation</td>
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</tr>
<tr>
<td>Legal &amp; Compliance</td>
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<td></td>
</tr>
</tbody>
</table>
## Enterprise Risk Framework

### Risk Assessment Matrix

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

### Impact Levels and Description

<table>
<thead>
<tr>
<th>Impact Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Insignificant</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>
</tr>
<tr>
<td>2 - Minor</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>
</tr>
<tr>
<td>3 - Moderate</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>
</tr>
<tr>
<td>4 - Major</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>
</tr>
<tr>
<td>5 - Extreme</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>
City Rail Link: Shareholder approval of Major Transaction

File No.: CP2020/01778

Purpose of the report

1. To seek Governing Body’s approval, as joint shareholder with Crown, for City Rail Link Limited (CRL) to enter into a contract variation for the City Rail Link Project Alliance Agreement. This “Variation Agreement” is a material contract, as defined in the Project Delivery Agreement (PDA) and a major transaction as defined in the Companies Act 1993.

Whakarāpopototanga matua

Executive summary

2. CRL is responsible for the delivery of the City Rail Link project, which is being procured via separate works packages. On 27 June 2019, Council approved CRL entering into a “Project Alliance Agreement” (PAA) for the C3 (stations and tunnels) works as a major transaction (GB/2019/84). The C3 contractor selected was Link Alliance, comprising Vinci Construction, Downer New Zealand, and Soletanche Bachy as constructors, and WSP Opus/AECOM/Tonkin and Taylor as designers.

3. The committee report on C3 noted that two other major works packages – C5 (Western Line connections) and C7 (Systems, Integration, Testing and Commissioning) – would be subsequently integrated into the PAA as a variation.

4. This report seeks approval for the integration into the PAA of the C5 and C7 works packages by way of a Variation Agreement. The C5 and C7 works packages cover the following works:
   - C5: connecting the railway infrastructure with the existing western line in and around the Mt Eden station area
   - C7: station and rail IT, data and communications systems, rail control systems, signalling systems, systems integration into the existing network, traction power systems, and testing and commissioning of the City Rail Link and its integration into the existing network.

5. The Alliance has worked closely with CRL to agree a variation to the PAA. It has ensured value for money primarily through the competitive selection of subcontractors for a majority of the works by value.

6. City Rail Link Limited has confirmed in a letter to sponsors seeking approval for the C5/C7 transaction that the “budget and timeline for completion for the Alliance Works are consistent in all material respects with the approved Forecast Project Costs and approved Project Delivery Schedule”. These Forecast Project Costs were revised and agreed as $4.419b by Crown and Council (2 May 2019, GB/2018/33). CRL has also confirmed that there remains sufficient budget and time allowed for procurement and completion of the remaining works packages.

7. The Variation Agreement is the second highest value works package of the City Rail Link project. Incorporating the C5 and C7 works packages into the Alliance exceeds the total current value of City Rail Link Limited’s assets (approximately $1.3b at present), by well over half. This transaction qualifies as a ‘major transaction’ under section 129 of the Companies Act 1993 and requires shareholder (Crown and Auckland Council) approval before CRL can enter into the Variation Agreement.

8. This is given effect by Council and Crown signing a shareholder resolution prepared by CRL.
9. The Sponsors' assurance provider (Advisian) has provided advice to council staff, and confirms that CRLL has met the relevant requirements, particularly those under the PDA. Advisian has reviewed the Variation Agreement, evaluation reports, independent advice provided to CRLL and board reports to ensure that CRLL has undertaken all necessary and prudent due diligence to assure that the Alliance has sufficient financial, technical and operational capacity and capability to undertake the full scope of works required of it.

10. We also confirm our view that CRLL has complied with the requirements of the PDA and that there are no grounds for withholding approval of this major transaction.

Ngā tūtohunga
Recommendation/s
That the Governing Body:

a) grant shareholder approval to City Rail Link Limited to enter into the Project Alliance Agreement Variation Agreement, which will constitute a major transaction under the Companies Act 1993 and a material contract under the Project Delivery Agreement.

b) delegate the Auckland Council chief executive to sign any shareholder resolutions and other documents necessary to give effect to clause a) of the decision.

Horopaki
Context

Shareholder approval
11. In 2017, the Governing Body resolved [GB/2017/72/c xi)] that sponsor approval is required in relation to significant (or "material") contracts for the City Rail Link project.

12. The PDA, signed by the Crown, Auckland Council and CRLL sets out the conditions for CRLL to enter into material contracts. The PDA lists the information and documentation CRLL is required to provide sponsors to complete their review for approval purposes and identifies the grounds for which sponsors can withhold approval of the award of a material contract.

13. CRLL is seeking formal approval from shareholders to enter into the Variation Agreement, which constitutes a material contract.

14. The Variation Agreement is also a "major transaction" under section 129 of the Companies Act 1993 and requires a shareholders' resolution. Under the Companies Act, a 'major transaction' includes a transaction that has the effect of the company incurring obligations or liabilities, including contingent liabilities, the value of which is more than half the value of the company's assets before the transaction. As the value of CRLL's assets are estimated at approximately $1.3b (as at 31 August 2020), the Variation Agreement works (with a value in excess of $700m) meet the major transaction threshold.

The Project Alliance Agreement – Variation Agreement: the transaction
15. When the City Rail Link project was first planned, it was as a series of discrete works packages and procurement contracts (C1, C2, C3, etc.). As the project developed, the procurement model shifted from a 'design and construct' basis for each individual package, to an alliance model for the major works of tunneling, building stations, installing systems, and creating connections with the existing rail network.

16. An alliance model is a form of procurement which includes the client and contractor(s) together agreeing target costs when the contracts are signed. The participants in the alliance also together agree to share any cost overruns or savings. This incentivises cost management, value engineering/optimisation and scope control.
17. CRLL ran a competitive tender process in 2019 to select the supplier for the tunnels and stations works – the ‘C3’ works package. CRLL selected a consortium, comprising Vinci Construction Grands Projets S.A.S, Downer New Zealand Limited, and Soletanche Bachy International (NZ) Limited as constructors, and Opus International Consultants Limited, AECOM, and Tonkin and Taylor Limited as designers. This became known as the “Link Alliance”.

18. When the PAA was signed, CRLL signalled its intention to also incorporate the other major works packages, C5 (Western line connections) and C7 (Systems, Integration, Testing and Commissioning) into the PAA by way of a variation to the original agreement. This Variation Agreement has now been agreed with the Link Alliance.

19. The Variation Agreement does not alter the overall scope, timing or agreed budget of the City Rail Link project as agreed in the Project Delivery Agreement. However, the Variation Agreement does allow for changes to be made to the timeline for valid reasons. The circumstances which qualify as a valid reason are set out in the Variation Agreement. This may mean the timeline goes beyond that in the Project Delivery Agreement.

Tātaritanga me ngā tohutohu
Analysis and advice

20. CRLL is responsible for delivering the project, with Auckland Council and the Crown having a suite of oversight mechanisms to satisfy themselves on the progress of the project and the ability of CRLL to deliver it.

21. Two elements are required for approval of the Variation Agreement. First, that CRLL has satisfied the requirements of the PDA agreed by and between Council, Crown and CRLL for material contracts. Second, that the major transaction requirements of section 129 of the Companies Act are met.

Material contract approval requirements

22. The requirements for approving a material contract as set out in the CRL PDA (Schedule 4) are provided in the table below, along with an assessment of whether these are met.

Material contract approval requirements and assessment, C5 and C7

<table>
<thead>
<tr>
<th>Approval requirements</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final form of material contract</td>
<td>The proposed final form of the Variation Agreement has been presented to the CRLL Board, which has approved it.</td>
</tr>
<tr>
<td>Summary of key commercial terms</td>
<td>Reviewed and accepted by legal representatives of all parties. This has largely been carried over from the PAA, with some relevant amendments made to the ‘Variation Benchmarking Register’, which records the types of events or circumstances which would justify a further variation to the PAA. This includes circumstances where there is a failure by AT or KiwiRail to provide services to the Alliance in a fashion that allows the programme to be maintained. These services have been agreed with AT and KiwiRail.</td>
</tr>
<tr>
<td>All required consents are held or in the process of being obtained</td>
<td>CRLL has assured shareholders that all consents are held by CRLL (or in process of being obtained) or its contractors as required.</td>
</tr>
<tr>
<td>Approval requirements</td>
<td>Assessment</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Budget and timeline are consistent with approved forecast project costs and delivery schedule</strong></td>
<td>CRLL has assured shareholders that the budget and timeline for completion are consistent with approved Forecast Project Costs ($4.419b) and approved Project Delivery Schedule (practical completion is proposed as Friday 13 December 2024). CRLL has also confirmed that there remains sufficient budget and time allowed for procurement and completion of the remaining works packages.</td>
</tr>
<tr>
<td><strong>Scope of work is consistent with project scope</strong></td>
<td>The scope of Works under the Alliance described in the Variation Agreement is consistent with project scope for the C3, C5 and C7 Packages.</td>
</tr>
<tr>
<td><strong>Successful contractor is solvent and capable of undertaking works</strong></td>
<td>CRLL has assured shareholders that each of the entities forming the Alliance is solvent and capable of undertaking the required works. CRLL has a right to regularly monitor the financial viability of the Other Alliance Participants and will provide regular assurance to sponsors on this matter. Upon execution of the Variation Agreement each ‘Other Alliance Participant’ (i.e. all parties except CRLL itself) must provide confirmation from its parent company that the existing parent company guarantee covers these existing obligations.</td>
</tr>
<tr>
<td><strong>Insurance policies are provided for</strong></td>
<td>All insurance policies required in connection with the Works under the Alliance are in full force and effect.</td>
</tr>
<tr>
<td><strong>The level of contingency in the budget is acceptable</strong></td>
<td>CRLL has assured shareholders of the level of contingency in the budget for the Alliance works. CRLL has informed sponsors that this includes allowances for the financial risks which CRLL has retained following negotiations.</td>
</tr>
<tr>
<td><strong>Government rules of sourcing have been complied with</strong></td>
<td>CRLL performed an assessment of compliance at the time of electing the procurement model for the procurement of the C5 and C7 works. CRLL has confirmed that processes have been in place to procure all C5/C7 works on a value for money basis. Advisian has peer reviewed the procurement processes and has provided assurance to Sponsors that so far as practicable, the procurement process provides value for money.</td>
</tr>
<tr>
<td><strong>Risk position accepted by CRLL are within the risk matrix approved by sponsors</strong></td>
<td>The risk positions accepted by CRLL are within the risk allocation matrix previously approved, or where they are not, have been documented and are acceptable in the context of the CRL project. As part of the approval of the Variation Agreement, Sponsors have asked CRLL to ensure there are protocols in place to manage and mitigate the CRL Retained Risks.</td>
</tr>
</tbody>
</table>

23. Compliance with the material contract approval requirements identified in the PDA has been verified by the sponsors’ assurance manager (Advisian) and it has confirmed that it has not identified any material issues for withholding approval.

24. Crown officials have provided similar advice to the Minister of Finance and Minister of Transport. Due to the upcoming general election, this has occurred prior to Council’s Governing Body considering approval of the Variation Agreement. A verbal update on Government’s decision, if known, will be provided to the Governing Body at the meeting.
Major transaction: Assessment of impacts

25. We have assessed the proposal for CRLL to enter into the proposed major transaction in relation to:
   - its strategic alignment
   - any group financial impacts
   - whether the board has been provided with advice on all the issues and risks relevant to the proposal.

26. While CRLL is not a Council-Controlled Organisation (CCO), these three factors have been drawn from the CCO accountability policy for assessing major transactions as we consider that this provides an appropriate framework.

Strategic Alignment

27. Council has already contractually committed with the Crown to deliver the City Rail Link. The Variation Agreement will deliver some of the key components of the City Rail Link works. City Rail Link was identified in the 2012 Auckland Plan as Auckland’s highest priority project and in the Auckland Plan 2050 as a critical piece of enabling infrastructure required to unlock Auckland’s development areas and provide for future population growth. The City Rail Link is also a core component of the Auckland Transport Alignment Plan (ATAP) package agreed between Auckland Council and the Crown. The transaction is therefore strongly aligned with and delivers on council’s strategic objectives.

Financial implications on the council group

28. The Governing Body in May 2019 [GB/2019/33] approved the council’s funding commitment to CRLL be increased by $500 million to $2.2 billion and agreed that budgets will be updated to reflect this. This was based on a robust reforecasting and peer review of total project costs. This brings the total budget of $4.419 billion and a letter was sent to CRLL from sponsors confirming this on 29 May 2019.

29. The cost CRLL has negotiated for the Variation Agreement, including contingency, can be accommodated within the total City Rail Link project budget.

30. Staff are therefore of the view that there are no adverse financial implications from this proposal, and that any financial risks associated with the transaction can be appropriately managed by CRLL.

31. Funding will continue to be provided to CRLL by the Crown and Council as per current practice, by quarterly requests from CRLL.

Board decision-making

32. CRLL’s board has received regular presentations and formal reports on the Variation Agreement package. These are summarised in Table 3 below.

Table 3: Summary of CRLL board meetings and updates

<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting format</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 August 2020</td>
<td>CRLL Board Meeting</td>
<td>Board paper for discussion/decision: Final approval of C5/C7 Variation Agreement and associated documents for issue to sponsors</td>
</tr>
<tr>
<td>21 July 2020</td>
<td>CRLL Board Meeting</td>
<td>Board paper for discussion/decision: Update on C5/7 pricing and programme</td>
</tr>
<tr>
<td>23 June 2020</td>
<td>CRLL Board Meeting</td>
<td>Board paper for discussion/decision: Update of C5/7 Pricing Negotiations</td>
</tr>
<tr>
<td>21 January 2020</td>
<td>CRLL Board Meeting</td>
<td>Board paper for discussion/decision: Extension of C5/7 Development Agreement</td>
</tr>
</tbody>
</table>
Item 9

33. The contract documents have been prepared and negotiated by CRL and its legal advisers.

34. The approval is subject to there being no material changes to the risk allocation under the Variation Agreement as currently drafted.

35. Based on the information provided, it appears that the CRL board has considered the issues and risks associated with the Variation Agreement and has received appropriate advice to support its decision-making. Staff believe there are no grounds for withholding council approval.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

36. The Variation Agreement includes an enhanced financial risk/reward regime which incentivises the Other Alliance Participants to improve their environmental sustainability practices.

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

**Council group impacts and views**

37. We work with staff from Auckland Transport (AT) on the CRL project, with regular fortnightly meetings taking place, which also include KiwiRail representatives. More frequent meetings have occurred throughout development of the Variation Agreement.

38. AT has the responsibility for the public transport metro rail services in Auckland and is the likely asset owner of the City Rail Link stations on completion of the City Rail Link project. AT is the owner of the Britomart railway station and lessee of the other Auckland rail stations. AT is not a party to the Link Alliance/PAA but is a Stakeholder Alliance Participant as it has a critical interest in the successful completion of the City Rail Link and its integration with the AT network.

39. AT’s involvement in the PAA is to provide governance (through its membership of the Project Alliance Board and its participation in various technical working groups) and to provide technical and operational support to CRL as set out in the Delivery Partner Agreement.

40. However, the Variation Agreement represents the point where AT’s interests become more fully integrated within the programme. Whereas most previous contracts have focused on construction of relatively discrete pieces of infrastructure, the C5 and C7 packages have critical interface elements with the responsibilities of Auckland Transport and KiwiRail.

41. Supporting AT’s involvement from this point are a number of elements, including:

   - Amendments to the Delivery Partner Agreement to agree AT’s role
   - A supplemental services agreement, detailing an agreement on what services AT will provide to the Alliance
   - AT’s involvement in the Project Control Group.
42. These documents and processes ensure that, while City Rail Link is a complex multi-party programme, AT’s interests (and therefore Council’s as sponsor) can be incorporated into the work of the Alliance. For example, as the project proceeds, there will be numerous design elements which will require resolution to ensure seamless interface with the existing operational systems and standards of KiwiRail and AT.

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

**Local impacts and local board views**

43. Local board views have not been sought for this report. The City Rail Link is a strategic regional investment and as such falls under the decision-making authority of the Governing Body. Whilst many local boards are likely to have an interest in the completion of the CRL, due to the benefit to their communities, the decision to approve the Variation Agreement does not have a local impact.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

44. The PAA specifically provides as Alliance objectives that the Alliance develops collaborative relationships with mana whenua and supports social outcomes including positive and enduring social and economic outcomes for the people of Tamaki Makaurau, and support leadership roles for mana whenua, Pasifika, youth and immigrants.

45. The Variation Agreement includes a regime for incentivising enhanced social outcomes, for example training and apprenticeship programmes for Māori (and Pasifika).

**Ngā ritenga ā-pūtea**

**Financial implications**

46. CRLL has provided assurance to shareholders that the agreed Target Outturn Cost for the Variation Agreement is consistent with the approved Forecast Project Costs ($4.419b).

47. There are accordingly no financial implications from agreeing to the Variation Agreement.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

48. CRLL is legally accountable for procuring, managing and delivering the CRL project within the project budget.

49. The Variation Agreement is generally consistent with the Risk and Commercial Framework set out in the original PAA, with such changes as necessary due to the incorporation of the C5 and C7 works packages.

50. The C5 and C7 works are not without risk. The key specific risks primarily relate to the interface with existing systems and networks and the testing and commissioning phase before CRL can open to the public. Some of these risks are retained by CRLL under the Variation Agreement, rather than shared with the Other Alliance Participants, by way of example:

- Interface with Auckland Transport rolling stock specifications
- Design of track form and auto transformers where CRLL has agreed to take some risk that the design solution is not effective;
- Cancellation or non-granting of block of lines, including provision of rail replacement buses
- Failure of AT and KiwiRail to provide services that CRLL has engaged them to provide to enable the Alliance to carry out the works (including design approvals); and
- The impact of COVID-19 and other pandemics or epidemics.
51. The C7 works package includes the critical testing and commissioning scope. As the input of both KiwiRail and Auckland Transport is integral to this stage, in particular in the period prior to practical completion, CRL has agreed that some delays caused by the failure of AT and KiwiRail to provide these critical services, is a CRL retained risk. It will be important in relation to these services provided by AT and KiwiRail that CRL properly manages their engagement as delivery partners, and that AT and KiwiRail be proactively engaged and ready to provide those services, particularly during the testing and commissioning phase immediately prior to practical completion of the project.

52. Staff have reviewed applicable documents describing these risks and how they will be dealt with and are satisfied that the risks above are both described in a comprehensive fashion and are an appropriate allocation of responsibilities to respond the issues. CRL has represented that it has in place appropriate processes to manage the CRL retained risks arising from the C5 and C7 works packages.

53. Another risk identified by the Alliance, which is outside of the CRL project, is the need to increase the scope of the power capacity of the traction power network. This work is to be carried out by KiwiRail outside of the CRL Project and will need to be done so as to facilitate the Day One opening timetable.

54. CRL has assured shareholders that all foreseeable financial risks are within the CRL project budget and contingency. The shareholders are not obliged to provide additional funding and have governance rights to direct CRL to descope or take such other action the shareholders deem necessary should there be risk to budget.

Ngā koringa ā-muri
Next steps

55. If the Governing Body and the Crown approve this major transaction, then Auckland Council’s chief executive will sign a Shareholder Resolution and CRL will enter into the Project Alliance Agreement Variation Agreement in September 2020.

56. A number of elements of the CRL project are already complete, as was noted by CRL at its recent workshop with councillors. An example is the stormwater diversion work which constituted the C6 package. A report to governing body in September 2020 will seek approval to transfer these to their appropriate future owners, along with an update on discussions about CRL future ownership.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Edward Siddle - Principal Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Alastair Cameron - Manager - CCO Governance &amp; External Partnerships</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
<tr>
<td></td>
<td>Barry Potter - Director Infrastructure and Environmental Services</td>
</tr>
<tr>
<td></td>
<td>Patricia Reade - Acting Chief Executive</td>
</tr>
</tbody>
</table>
Review of property rationalisation process

File No.: CP2020/11080

Te take mō te pūrongo
Purpose of the report
1. For the Audit and Risk Committee to review the property rationalisation process to ensure that it has effective controls in place, and to make any recommendations for improvement.

Whakarāpopototanga matua
Executive summary
2. The Emergency Budget 2020/2021 decisions include a financial target for asset recycling of $244 million, met from property rationalisation and alternative commercial arrangements. The term property rationalisation is used to describe the sale of assets which are not currently in service and have no planned or funded future use (‘non-service property’).

3. Achieving the target will require staff to progress a pipeline of asset recycling opportunities for consideration by the Finance and Performance Committee as early in the 2020/2021 financial year as possible (to match capital expenditure).

4. The objective of the approach to property rationalisation is to enable the Finance and Performance Committee to make sound asset recycling decisions based on robust information and analysis, which contribute to the financial target being met and capital proceeds being released to be invested in the most strategically important activities for the council group.

5. Because there is a substantial increase to the financial target and rapid progress required this financial year, there are some identified risks regarding appropriate properties for disposal, the need to achieve value for money; and effective, efficient and transparent process and decision making. Principles have been agreed with elected members to support delivery of the budget.

6. There are controls embedded in the property rationalisation approach to help ensure that it achieves the outcome of enabling sound asset recycling decisions based on robust information and analysis.

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

a) confirm that it has reviewed the approach to property rationalisation

b) agree to advise the Finance and Performance Committee that the property rationalisation approach has reasonable and effective controls in place to ensure that risks are being appropriately managed.

Horopaki
Context
7. The Auckland Council group is experiencing the unprecedented financial impacts of the COVID-19 crisis.

8. On 16 April 2020, the Emergency Committee acknowledged that given the COVID-19 pandemic context, there was no “business as usual” budget scenario for next financial year. The council prepared a draft Emergency Budget 2020/2021 (the annual plan for the 2020/2021 financial year) and consulted the public in May/June 2020.
9. In June and July 2020 the Finance and Performance Committee held workshops at which it considered the 'levers' available to the council group to respond to a substantial drop in group revenue. Those workshops included discussion of asset recycling as a lever which allowed the council group to free up capital to be invested in the most strategically important activities. The Asset Recycling workshop presentations dated 26 June 2020 and 9 July 2020 are at Attachments A and B.

10. On 16 July 2020 the Finance and Performance Committee and Governing Body made high level policy decisions to inform the preparation of the formal Emergency Budget document.

11. The decisions on 16 July 2020 included agreeing that the Emergency Budget would include a financial target for asset recycling of at least $244 million. The 'Emergency Budget 2020/2021 – Asset Recycling' report from the Finance and Performance Committee on 16 July 2020, which sets out that the target will be met from property rationalisation and from alternative commercial arrangements is at Attachment C. The term property rationalisation is used to describe the sale of assets which are not currently in service and have no planned or funded future use ('non-service property').

12. On 30 July 2020 the Finance and Performance Committee and Governing Body adopted the final Emergency Budget document including an asset recycling target of $244 million. This is a substantial increase from previous financial years (FY2019/20 budget was $24m). Achieving the target will require staff to progress a pipeline of asset recycling opportunities for consideration by the Finance and Performance Committee as early in the 2020/2021 financial year as possible (to match capital expenditure).

13. The 16 July 2020 'Emergency Budget 2020/2021 – Asset Recycling' report included a recommendation that the Finance and Performance Committee request that the Audit and Risk Committee review the property rationalisation process and make any recommendations for improvement. The purpose of that recommendation was to provide confidence to the Finance and Performance Committee that the approach has effective controls in place. That resolution was passed.

14. The Audit and Risk Committee has a key role to play in ensuring that the council is in a position to make sound decisions based on robust information and analysis.

15. Panuku Development Auckland is currently responsible for the management of non-service property and the rationalisation process.

Tātaritanga me ngā tohutohu
Analysis and advice


17. The objective of the approach is to enable the Finance and Performance Committee to make sound asset recycling decisions based on robust information and analysis, which contributes to the financial target being met and capital proceeds being released to be invested in the most strategically important activities for the council group.

18. Because there is a substantial increase to the financial target and rapid progress required this financial year, there are some potential risks including identifying the appropriate properties for disposal, the need to achieve value for money; and effective, efficient and transparent process and decision making.

19. To support the execution and achievement of the budget, in the Finance and Performance Committee ‘Emergency Budget 2020/2021 – Asset Recycling’ report on 16 July 2020 principles were agreed to assist elected members and staff.
## Principles to support the implementation of the asset recycling budget

<table>
<thead>
<tr>
<th>Principle</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Effective governance and decision-making</td>
</tr>
<tr>
<td>2</td>
<td>Alternative use</td>
</tr>
<tr>
<td>3</td>
<td>Value for money</td>
</tr>
<tr>
<td>4</td>
<td>Transparency</td>
</tr>
<tr>
<td>5</td>
<td>Efficient and effective processes</td>
</tr>
<tr>
<td>6</td>
<td>Statutory obligations</td>
</tr>
</tbody>
</table>

20. In addition to the management controls in place regarding staff (for example the Charter, internal assurance team and the requirement to declare any conflicts of interest) there are also controls embedded in the property rationalisation approach to help ensure that it achieves the outcome of enabling sound asset recycling decisions based on robust information and analysis.

21. Those controls are set out in the property rationalisation approach below (paragraphs 22 to 55), and the five general stages being:

- **Identification**
  - Identify opportunities for rationalisation

- **Investigation**
  - Investigate whether opportunity is feasible

- **Consultation**
  - Obtain input from interested parties including mana whenua, community and local boards

- **Approval**
  - Summarise all phases

- **Sales process**
  - Transact sale, maximising value
Identification

22. Potential sites for rationalisation are initially identified by Panuku or by council business units in a number of ways, including:

a) council business units advise Panuku when they cease to require a property for a council service purpose. For example, a new library facility may be built in a community or a roading project is completed. Once there is no longer a planned and budgeted service use for a property, it is subsequently transferred to Panuku for management and rationalisation.

b) Panuku maintains a register of all council owned properties and proactively reviews this to identify opportunities.

23. To ensure information is up to date and regularly reviewed, Panuku also maintains a register of all non-service property that it manages until it is required by the relevant council/group business unit for a service purpose. The register records anticipated dates that the property will be required by the relevant business unit. This information is checked regularly with business units and updated as required. For example, properties may be held for a future Auckland Transport roading project. However, if the project requirements change, certain properties may no longer be needed for the reason for which they are being held.

24. Any property that is potentially surplus to requirements is reviewed and assessed by Panuku’s Portfolio Review team. Site assessments include property information, site features and high-level planning and statutory information for each property.

25. To ensure that only non-service property is considered for rationalisation:

a) site assessments are sent to any relevant business units across the group to review the property against policy and requirements. For example, if a property formed as open space is reviewed, Parks and Recreation Policy will undertake a strategic assessment to ascertain whether the property is required to deliver current and future parks and open space outcomes in accordance with the Auckland Plan, Parks and Open Spaces Acquisition Policy (2013) and Open Space Provision Policy, or if it is no longer required as part of the open space network.

b) a signed ‘formal position document’ is obtained from the general manager of the current council business unit which manages any property (if not managed by Panuku). This confirms that the property is no longer required by the business unit for the service use which had been delivered from the property and that the business unit agrees to the rationalisation process commencing for the property.

26. If a property is no longer required for the service use for which it was acquired or held, the rationalisation process would be undertaken for the property.

27. Some potential properties identified for rationalisation are not progressed, for example:

a) properties which have a clearly identified, planned and funded service use or future funded use. If an identified planned and funded alternative service use is identified for a property, it is retained for service or infrastructure purposes.

b) if the council business unit which currently manages the property does not agree that the property should be considered for rationalisation.

Investigation

28. Once properties have been identified for rationalisation, further investigation is carried out into the property and its feasibility for rationalisation.

29. In addition to the earlier site assessment, due diligence into the property title is carried out to ensure all legal requirements that need to be complied with are identified. This includes investigations regarding any Public Work Act 1981 offer back obligations, whether it is an endowment property, whether it is a park, heritage assessments, covenants, treaty or Reserves Act 1977 and other legal requirements.
30. To ensure value for money is achieved in the disposal, properties identified for disposal are then reviewed by Panuku’s ‘Value Add Working Group’, which is a group of senior, cross-functional Panuku staff. The role of the Working Group is to review property to identify strategic development opportunities and value-add opportunities prior to disposal and/or development, either on a site specific or wider area basis.

31. For all properties which commence the rationalisation process, Auckland Council Land Advisory Services team research the property and prepare a ‘rationalisation report’. This report sets out conditions or issues which need to be met to enable a property to be sold. Panuku then ensures these recommendations and conditions are met as part of the rationalisation process. Recommendations and conditions can include:
   - no council department or CCO has an alternative use for the property
   - that as far as is practicable, any/all future use is consistent with the outcomes sought within the Auckland Plan
   - Significance and Engagement Policy requirements and recommendations.

32. The rationalisation report can highlight if legal advice is specifically required, however legal input is not always requested at this stage. Legal Services does review all disposals when actually proceeding to settlement, and has agreed a more integrated sign-off process with Community Facilities and Panuku (discussed below).

33. Initial market investigations are carried out to assess whether there are any willing buyers, and whether a contestable or non-contestable process is appropriate.
   a) The majority of properties sold by Panuku are done so via contestable market processes. This means that a property is promoted, usually through an appointed agent, to ensure that anyone who has an interest in purchasing that property is aware it is for sale and has the opportunity to make a bid.
   b) There are properties where a decision is made to sell non-contestably, to an identified sole party. Any such decisions are made by the Panuku board in accordance with a policy framework (the framework provides for non-contestable processes where the group is trying to achieve strategic outcomes other than just achieving an optimal financial return, and where those strategic outcomes will be advanced by the particular party concerned). Examples have included Kāinga Ora, iwi, NZ Housing Foundation and/or where there is a neighbouring property owner that will achieve a superior development outcome for the city by having a bigger development block.

34. Panuku also maintains a register of purchaser enquiries received by Council from members of the public interested in acquiring council owned land. Properties are proactively reviewed following purchaser enquiries and the enquirer kept informed about the process and outcomes.

35. Valuations are obtained from independent valuers which are on the group valuation panel. These inform future negotiations. Prior to instructing valuers, information is sought from the valuer as to any potential conflicts of interest. Valuers are selected based on subject matter expertise as to the form and type of valuation required for a specific property. If there is a potential conflict of interest between the valuer and the client for a particular property, the services of the valuer would not be used in that instance.
36. The number of valuations sought in relation to any property depends largely on whether the property is to be sold via a contestable or non-contestable process.
   a) For properties that are being sold contestably, one independent valuation is obtained. This is because it will always be the market (i.e. a willing buyer) that determines the actual value of a property. Virtually all property owners employ a contestable process to get fair value for their property. Given the majority of properties sold are done so via a contestable market process, there is little value in paying for multiple valuations on each property.
   b) For properties being sold via a non-contestable process, two independent valuations will be obtained. This reflects the fact that there is more reliance on the valuation advice when selling non-contestably. This will assist in providing assurance that value has been obtained.
   c) Where it is a high value property or there are high levels of public interest, additional valuations may be obtained.

37. Regular work is done to manage the risk of any changes in the property purchase market. Panuku have an awareness of the market given their role in the market as Auckland Council's urban regeneration agency. Proactive monitoring of any risk of market downturn also takes place through regular, on-going market testing and market engagement with different sectors of the property market. This is particularly important given current economic circumstances.

Consultation

38. Once the investigation stage is completed, input into the rationalisation decision is sought from interested parties.

39. For some properties public consultation will be undertaken to satisfy the council’s obligations under Part 6 of the Local Government Act 2002 (LGA). Decisions on whether or not to consult are made with reference to the Significance and Engagement policy and consultation is conducted by Panuku.

40. Where the property was acquired or has been used as a park consultation may be also be required under section 138 of the LGA. If the properties are reserves and subject to the Reserves Act 1977 the reserve status will need to be revoked.

41. Where the property is an endowment property then the donor will need to be given a reasonable opportunity to comment on the intended sale under section 140 of the LGA.

42. Local boards are informed of the commencement of the rationalisation process for properties in its area via the local board Area Managers. The starting point of local board engagement is usually via a workshop with the relevant local board. Information is provided about properties being rationalised in the local board area and details of the investigation completed. If a local board expresses an interest in a site being retained, this is referred to the relevant council department to ascertain if it supports, and has the budget, to enable the site to be retained for the proposed service use. Once any issues raised by the local board are addressed, the views and preferences of the relevant local board(s) are sought by Panuku via written report at a regular business meeting.

43. Each relevant mana whenua group is contacted independently and requested to give feedback. This provides mana whenua the opportunity to respond with any issues of cultural significance the group would like to formally express in relation to the subject properties.

44. Mana whenua groups are also invited to express potential commercial interest in the subject sites. In the event the sites are approved for sale, all groups will be alerted of the decision, and all groups are alerted once a property comes on the market.
Approval

45. To reflect the seriousness of a decision to dispose of council property, even where non-service, specific delegated powers are in place for the disposal of non-service property.

46. Ordinarily, the Panuku Board approves a report for each property rationalisation before it is recommended to the Finance and Performance Committee. In the context of the Emergency Budget and the significant increase in the pipeline the Finance and Performance committee approval may occur earlier in the process (before all the stages are complete). The Panuku Board will still approve all properties for sale and should a property no longer be deemed appropriate this will be reported back to the Finance and Performance Committee.

47. The Auckland Council Governing Body Terms of Reference record the decision-making responsibilities of the Governing Body and the delegated decision-making powers of its committees. They provide that:

a) Governing Body must approve all disposals that are not in accordance with the Long-Term Plan.

b) The Finance and Performance Committee is responsible for approving property disposals which are in accordance with the Long-Term Plan.

48. The Auckland Council Chief Executive Delegations Register records powers which have been delegated by the Governing Body to the Chief Executive and staff. Although the Governing Body has delegated its responsibilities, duties and powers to the Chief Executive to act on any matter subject to certain restrictions the usual practice is for decisions relating to land transactions to be considered at the Finance and Performance Committee.

49. When resolutions are passed to dispose of properties, authority for the final terms and conditions of sale are usually delegated to the Panuku Development Auckland board.

50. The principles agreed in the Finance and Performance Committee ‘Emergency Budget 2020/2021 – Asset Recycling’ report on 16 July 2020 include that regular reporting will take place to the Finance and Performance Committee on the pipeline of properties and progress against the budget. This may include status updates for individual properties, potential additions and deletions to the pipeline and management of risks.

Sales process

51. If there are offer back obligations under the Public Works Act these will occur prior to any sale process.

52. Once approval has been given, Panuku progress the contestable/non contestable market process. Any real estate agents involved are bound by the requirements of the Real Estate Agents Act 2008, the Regulations and the Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012.

53. Offers are considered and negotiations are entered into with the purchaser(s). The principles agreed in the Finance and Performance Committee ‘Emergency Budget 2020/2021 – Asset Recycling’ report on 16 July 2020 include that properties will not be disposed of for less than 90 per cent of the valuation without approval of the Finance and Performance Committee.

54. Agreements for sale and purchase are prepared and executed by Panuku. Legal Services (or one of Council’s external legal advisors) is usually involved in the preparation of the sale and purchase agreement, but there is not a strict requirement for that or for clearance advice at this stage. Instead, Legal Services’ formal review of the legality and property approval of the disposal is actually made at settlement, through execution of the Authorisation & Instruction Form to permit the electronic title transfer by LINZ (equivalent to the old memorandum of transfer).
55. For efficiency and an even more improved assurance around disposal process, Panuku, Community Facilities and Legal Services have agreed to bring this legal sign-off forward, prior to signing any sale agreement. This effectively allows the transaction to be entered into with the benefit of a solicitor’s certificate, and has benefits under the Local Government Act 2002, as well as some efficiency benefits in streamlining internal clearance processes.

56. At settlement, the Manager, Projects & Transactions (Legal Services) and Head of Property and Commercial Business (Community Facilities) jointly sign the local government version of the A&I Form which formally attests that the council has passed the “necessary resolutions as required by its empowering constitution, rules or statute to authorise the transaction”; and also that they have been given the appropriate authority to act. Signing of the A&I Forms will be expedited by the earlier legal sign-off, instead of conducting a retrospective legal review at a point when council is already contractually obliged to settle.

Tauākī whakaaweawe āhuarangi
Climate impact statement

57. There is no climate impact from the recommendations of this report.

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

58. Asset recycling takes a group approach. Council and CCOs all play a role in the property rationalisation process as set out in this report.

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

59. Decisions on property rationalisation are a Governing Body or Finance and Performance Committee responsibility, taking into account local board views and preferences.

Tauākī whakaaweawe Māori
Māori impact statement

60. Māori have an active and specific role in Auckland, including kaitiakitanga (guardianship) of our land and marine resources. Land has a specific role in protecting, enabling and building Māori social and cultural capital. Local marae, kohanga reo, and other Māori entities offer spiritual, cultural, as well as a range of social, educational, health and justice services for the community.

61. The importance of effective communication and engagement with Māori about land is understood. The process to date undertaken by Panuku is engagement with mana whenua groups across the region as set out in this report.

Ngā ritenga ā-pūtea
Financial implications

62. There are no financial implications from this process review. More generally, capital receipts from the sale of properties not required by Auckland Council contribute to the Emergency and 10-year Budgets by providing the Council with an efficient use of capital and prioritisation of funds to achieve its activities and projects.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations

63. Risks identified with the property rationalisation report are discussed in the body of the report.
64. There may be a perceived risk that a property is sold which could still be required for future service use. The risk of that occurring is assessed as low, given the checks in place across the council group before a property is considered for rationalisation.

65. There is a risk that the maximum value is not achieved from a property due to a softening property market. This is mitigated by the proactive monitoring of different sectors of the market for any risk of market downturn conducted by Panuku as set out in paragraph 36.

66. There is a risk of legal challenge to any sale by a prior owner of a property or other interested or affected party. The risk of that occurring is assessed as low, given the legal due diligence that will be completed as well as the strict compliance with all legal requirements as part of the rationalisation process.

**Ngā koringa ā-muri**

**Next steps**

67. Any process recommendations from the Audit and Risk Committee will be implemented so far as reasonably possible before further property rationalisation decisions are considered by the Finance and Performance Committee in September 2020.

**Ngā tāpirihanga**

**Attachments**

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Emergency Budget Asset recycling June 2020</td>
<td>73</td>
</tr>
<tr>
<td>B</td>
<td>Emergency Budget Asset Recycling July 2020</td>
<td>91</td>
</tr>
<tr>
<td>C</td>
<td>Asset Recycling Finance and Performance Committee report 16 July 2020</td>
<td>105</td>
</tr>
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</table>

**Ngā kaihaina**

**Signatories**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Ross Chirnside – Programme Lead Value For Money</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Anita Furniss - Executive Officer - Finance Division</td>
</tr>
<tr>
<td>Authorisers</td>
<td>Kevin Ramsay - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Auckland’s Emergency Budget

Together we can recover stronger.

Asset recycling

26 June 2020
Purpose of today

- Provide overview of how to achieve asset recycling draft budget
- Receive elected member feedback

- We will not, at this stage, discuss in detail, specific properties (other than car park concessions)

- At adoption of Emergency Budget (if includes an asset recycling target) need agreement on
  - approach
  - pipeline of opportunities
  - elected member support

Together we can recover stronger.
What is asset recycling and why do we do it?

What?
- Sale of assets which are not currently in service and have no planned or funded future use (Non-service property). Different from service property optimisation.
- Adopting alternative commercial arrangements (e.g. leasing) to realise funds

Why?
- Provides funds for council to invest in prioritised activities and projects
- Good financial management (ongoing process)
- Supports Public Works Act compliance (and reduces risk)
- Significant budget gap for FY21

Together we can recover stronger.
Asset recycling in context

- Council plans to invest more than $2bn in capital expenditure in FY21
- New investment is in assets designed to support councils priorities
- Asset recycling budget is 0.4% of councils fixed assets

Together we can recover stronger.
Focused programme required to meet draft budget

- Asset recycling included in LTP
- Emergency Budget proposes an acceleration of activity to meet targets – an additional $200m
- To achieve $224m budget need a pipeline of opportunities of $300m
- Not all opportunities will be realised and new opportunities may need to be identified
- Reducing or not meeting the budget will require greater use of other levers

<table>
<thead>
<tr>
<th></th>
<th>LTP FY21 ($m)</th>
<th>Budget FY21 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset recycling proceeds</td>
<td>24</td>
<td>224</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Low ($m)</th>
<th>High ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property rationalisation</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>Alternative commercial arrangements</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total opportunity</strong></td>
<td>200</td>
<td>350</td>
</tr>
</tbody>
</table>

Together we can recover stronger.
Clarity in roles and responsibilities crucial

• Disposal decisions (other than in the context of service property optimisation) are generally made by the Governing Body or its committees.

• Prior to making any decision the Governing Body must consider any views and preferences expressed by a local board (and other groups). Local boards provide a range of views – positive and negative.

• Custom and practice is for Finance and Performance committee to approve most transactions.

• Council CEO has an existing delegation up to $20m which includes transactions relating to real estate and the disposal of assets.
Property rationalisation – what is it?

What is it?

- Disposal of properties not currently in service
- Disposal of properties with no identified and funded future service use

- Many properties are the result of legacy council decisions or left following public works

What is it not?

- “Fire sale” of council property
- Service property optimisation
- Disposal of assets currently delivering services or being held for a future funded service use
A portfolio approach to divestment is required

- To meet draft Emergency Budget the full pipeline needs to be underway by end of 2020 (calendar year)
- New properties may be identified and added
- Some may be removed during investigation phase
- 25 properties have been reviewed and considered (22 approved for sale) by the Finance and Performance committee in last 2 years

<table>
<thead>
<tr>
<th>Description</th>
<th>No. of properties</th>
<th>Estimated value($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties previously considered but not approved by Finance and Performance committee</td>
<td>8</td>
<td>10.7</td>
</tr>
<tr>
<td>Future pipeline included in consultation document</td>
<td>75</td>
<td>130</td>
</tr>
<tr>
<td><strong>Total pipeline</strong></td>
<td><strong>83</strong></td>
<td><strong>140.7</strong></td>
</tr>
</tbody>
</table>

Together we can recover stronger.
Overview of property rationalisation

- Identification
  - Identify opportunities for rationalisation

- Investigation
  - Investigate whether opportunity is feasible

- Consultation
  - Obtain input from interested parties including mana whenua, community and local boards

- Approval
  - Summarise all phases and obtain approval to dispose
  - Panuku Board recommend to F&P committee

- Sale
  - Transact sale, maximising value

The review and consideration of 80 potential sales over next 6 months would be a huge burden on the committee’s time (particularly with LTP work programme)

Together we can recover stronger.
## Challenges and opportunities

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected members engaged too late in process</td>
<td>Early involvement of elected members. Review and consider at “Identify phase”</td>
<td>Staff effort focused on right opportunities</td>
</tr>
<tr>
<td>Natural incentive to retain property. Disposal considered a “loss” to community (even if not in service)</td>
<td>Identify community needs and identify property (or other response) to meet those needs</td>
<td>Fit for purpose property Value for money</td>
</tr>
<tr>
<td>Clarity of roles and responsibilities in respect of determining whether property non-service. Staff and elected members not always agree</td>
<td>Consistent principles based decision making</td>
<td>Value for money Staff effort focused on right opportunities</td>
</tr>
<tr>
<td>Holding cost and opportunity cost are not considered. Non-service property can be seen as a “free good”</td>
<td>LTP to include service property optimisation, creating the right incentives and considering the total cost of ownership (not for Emergency Budget)</td>
<td>Value for money</td>
</tr>
</tbody>
</table>

Together we can recover stronger.
Early engagement at identify phase

- Draft Emergency Budget provided transparency of potential surplus properties
- Early opportunity for mana whenua and community feedback to be considered
- Early opportunity for local boards communicate any views of preferences
- But decision making by Finance and Performance committee is based on facts by considering 2 key questions
- Output is a list of politically approved properties for staff to investigate (second phase)
### Options - final approval for sale

<table>
<thead>
<tr>
<th>Options</th>
<th>Status quo</th>
<th>Option A</th>
<th>Option B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval to proceed to sale phase</td>
<td>Finance &amp; Performance committee</td>
<td>Council CEO (under delegation) (with quarterly reporting to Finance and Performance committee)</td>
<td>Panuku Board (under delegation) (with quarterly reporting to Finance and Performance committee)</td>
</tr>
<tr>
<td>Advantages</td>
<td>• Well understood process</td>
<td>• Separation of political governance and management</td>
<td>• Separation of political governance and management</td>
</tr>
<tr>
<td></td>
<td>• High level of public scrutiny of individual decisions</td>
<td>• Principles of process maintained</td>
<td>• Principles of process maintained</td>
</tr>
<tr>
<td></td>
<td>• Approval timeframe reduced</td>
<td>• Approval timeframe reduced</td>
<td>• Approval timeframe reduced</td>
</tr>
<tr>
<td></td>
<td>• Staff effort applied to opportunities approved by committee</td>
<td>• Existing delegation in place</td>
<td>• Staff effort applied to opportunities approved by committee</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>• Does not address challenges identified with current process</td>
<td>• Decision making one-step removed from Governing Body</td>
<td>• Decision making one-step removed from Governing Body</td>
</tr>
<tr>
<td></td>
<td>• High committee workload – more meetings will be required</td>
<td>• Potential for increased risk of legal challenge</td>
<td>• Potential for increased risk of legal challenge</td>
</tr>
<tr>
<td></td>
<td>• Delegation more complex</td>
<td></td>
<td>• Delegation more complex</td>
</tr>
<tr>
<td>Role of local board</td>
<td>• Local boards communicate any views or preferences to the committee</td>
<td>• Local boards communicate any new views or preferences which are considered prior to final decision</td>
<td>• Local boards communicate any new views or preferences which are considered prior to final decision</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Not recommended</td>
<td>Consider further</td>
<td>Consider further</td>
</tr>
</tbody>
</table>

Together we can recover stronger.
A changed approach (option A or B) is consistent with procurement and central government

Procurement

- The procurement category strategies are reviewed and considered by the Strategic Procurement committee
- Staff execute strategy reporting back to committee
- Procurements over CEO delegation are referred back to the committee for their consideration

Comparison to central Government

- Government follow a similar process to Council to identify, investigate and consult
- Approval is with staff delegations with limited political oversight

Together we can recover stronger.
Quarterly reporting key to accountability

Reporting to Finance and Performance committee

- Progress against budget
- Phase (investigation, consultation, approval, sale) of each approved property
- Risks and the management approach
- Potential additions to the pipeline and properties which following investigation should be removed
- Where the delegation has been used. Prior to exercising any delegation the delegation holder will be require to obtain legal confirmation that the sale is lawful
- Properties for consideration which exceed delegation or that the delegation holder wants to bring to committees attention

Together we can recover stronger.
Property - further information to be provided

- To support decision making the following information will be provided for each property (once consultation and local board feedback has been received and reviewed)

Example

<table>
<thead>
<tr>
<th>Address</th>
<th>Asset</th>
<th>Current use</th>
<th>Question #1 Current service use?</th>
<th>Question #2 Funded future use?</th>
<th>Pipeline stage</th>
<th>Local board</th>
<th>Comment (including any consultation feedback)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5R Ferguson Street, Mangere</td>
<td>Road reserve</td>
<td>Vacant land</td>
<td>Yes / no</td>
<td>Yes / no</td>
<td>Investigation</td>
<td>Yes / no</td>
<td>Acquired as road reserve. No longer required for this purpose. Used as access to adjacent land by Transpower. Subject to the Reserves Act 1977. No consultation feedback was received or consultation feedback was positive / neutral / negative.</td>
</tr>
</tbody>
</table>
Alternative commercial arrangements

• Opportunities exist to change the commercial arrangements that council has in place

• Council may be able to restructure existing lease arrangements or receive lease payments in advance. Work in progress – further analysis required

• Sale and leaseback is an opportunity but care is needed. For example, the sale and leaseback of office accommodation would provide a new source of funds but the lease is considered as debt and doesn’t help the debt to revenue ratio

• Council has investments (from legacy councils) such as quarries which may be considered for sale.

• Sale of car park concessions is the current opportunity to be considered

Together we can recover stronger.
Potential sale of car park concession

- Funding for City Rail Link identified this as an opportunity. Planned for FY24 but now brought forward. Funding approval had a number of conditions.
- Review of car park strategy underway – sound for city centre
- Any initial arrangement would be for
  - Civic car park
  - Fanshaw Street
  - Victoria Street
- Downtown is a prime development site with a number of issues and complications to be addressed prior to consideration of any car park concession
- Sale of car park concessions does not change the ownership of the car parks
- Report to Finance and Performance committee towards end of 2020
Appendix – detailed process

**Objective**
- Continuous process to identify with input from council and CCO staff.
  - Identify opportunities for rationalisation

**Activities**
- Assessment against policies and strategies
- Review of alternative use
- Review of title, known issues, risks
- Identification of treaty obligations
- Heritage assessment
- Public works act assessment
- Initial valuation
- Identification of any opportunity to increase value (and potential sales approach)
- Initial business case

**Outcomes**
- List of potential opportunities
  - List of properties to be consulted on
  - List of properties no longer suitable for rationalisation
- List of properties for sale decision
- List of properties deemed no longer candidates for rationalisation
- List of properties approved for sale

**Identification**
- Investigate whether opportunity is feasible
  - Mana whenua engagement
  - Local board engagement
  - Other targeted consultation, if required

**Consultation**
- Summarise all phases and obtain approval to dispose
  - Finalise business case
  - Approval Panuku Board
  - Approval Finance and Performance committee

**Approval**
- Transact sale, maximising value
  - Finalise sales strategy
  - Brief agents or direct negotiate
  - Finalise sale

*Together we can recover stronger.*
Purpose of today

• Recap on previous workshop
• Respond to elected member feedback from earlier workshop
• Discuss some properties in detail

• At adoption of Emergency Budget (if includes an asset recycling target) need agreement on
  • approach
  • pipeline of opportunities
  • elected member support

Together we can recover stronger.
Recap - What is asset recycling and why do we do it?

What?
- Sale of assets which are not currently in service and have no planned or funded future use (Non-service property). Different from service property optimisation.
- Adopting alternative commercial arrangements (e.g. leasing) to realise funds

Why?
- Provides funds for council to invest in prioritised activities and projects
- Reduces operating cost and future liabilities
- Good financial management (ongoing process)
- Supports Public Works Act compliance (and reduces risk)
- Significant budget gap for FY21

Together we can recover stronger.
Recap - focused programme required to meet draft budget

- Asset recycling included in LTP
- Emergency Budget proposes an acceleration of activity to meet targets – an additional $200m
- To achieve $224m budget need a pipeline of opportunities of $300m
- Not all opportunities will be realised and new opportunities may need to be identified
- High level of in-flight means more capital expenditure in first half of year – need cash earlier

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<td>Property rationalisation</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>Alternative commercial arrangements</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>Total opportunity</td>
<td>200</td>
<td>350</td>
</tr>
</tbody>
</table>
Recap – general agreement from previous workshop

• Use of asset recycling lever
• Proposed approach alternative commercial arrangements including car park concession opportunity
• Elected members make decisions on any properties to be sold
• Elected members require
  • confidence in the process (and accountability) for property rationalisation
  • confidence that the budget will be achieved
• Suggested an alternative approval approach – not supported – but do need to move faster

Together we can recover stronger.
### Lever more important and increased consequence

<table>
<thead>
<tr>
<th></th>
<th>Past</th>
<th>FY 21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What? Budget</strong></td>
<td>$24m</td>
<td>$224m</td>
</tr>
<tr>
<td><strong>When? Timing</strong></td>
<td>By year end</td>
<td>By end March*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Need to align to capital delivery</td>
</tr>
<tr>
<td><strong>Financial risk</strong></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Debt to revenue impact</td>
</tr>
<tr>
<td><strong>Committee consideration</strong></td>
<td>25 over 2 years</td>
<td>&gt; 80 over 4 months</td>
</tr>
<tr>
<td><strong>Other levers</strong></td>
<td>Limited capex</td>
<td>No capital expenditure</td>
</tr>
<tr>
<td></td>
<td>Limited staff support – opex</td>
<td>Reduction in staff support</td>
</tr>
</tbody>
</table>

* High level of in-flight means more capital expenditure in first half of year

Together we can recover stronger.
80 properties through process in next 4 months

- Identification
  - Identify opportunities for rationalisation
- Investigation
  - Investigate whether opportunity is feasible
- Consultation
  - Obtain input from interested parties including mana whenua, community and local boards
- Approval
  - Summarise all phases
- Sales process
  - Transact sale, maximising value

Consultation Document
Early elected member input and direction setting

F&P Committee

Together we can recover stronger.
Improvements to improve confidence and accountability

- Involve audit and risk committee - review process and controls

- Implement “hard” operating parameters (and reporting requirements) for staff
  - Sales price must be no less than 90% of valuation
  - Positive confirmation
    - No funded alternative use
    - No new views and preferences of local boards
    - Not significant to mana whenua
    - Sale can be completed lawfully

Together we can recover stronger.
Regular reporting key to accountability

• Status of rationalisation pipeline
  • Phase (investigation, consultation, approval, sale) of each property
  • Potential additions to the pipeline and properties which following investigation should be removed
  • Risks and management approach

• Status of budget
  • $ opportunity approved
  • $ realised
  • Alignment to capital programme expenditure (E.g. If spent 50% of capital budget but only 20% of asset recycling budget - problem)

• Confirmation on “hard” operating parameters

Together we can recover stronger.
Confidence in pipeline to achieve draft budget

Identification > Investigation > Consultation > Approval > Sale

- Approved for sale: $40m
- Previously considered: 8, $11m

Consultation document
- 74, $78m

New opportunities: TBD

Provide to Finance and Performance Committee and Local Boards quarterly

Together we can recover stronger.
Emergency Budget consultation

- Transparency on future pipeline
- Local board views being collated (available by 16th July)

- Community views and preferences captured

Together we can recover stronger.

<table>
<thead>
<tr>
<th>Description</th>
<th>No. of properties</th>
<th>Estimated value ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties previously considered but not approved by Finance and Performance committee</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Future pipeline included in consultation document</td>
<td>74</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total pipeline</strong></td>
<td><strong>82</strong></td>
<td><strong>89</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>No. For</th>
<th>No. Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submission naming property</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>General submissions</td>
<td>175</td>
<td>186</td>
</tr>
</tbody>
</table>
Property – detailed information for each property

Example of information

<table>
<thead>
<tr>
<th>#</th>
<th>Group</th>
<th>Local Board</th>
<th>Address</th>
<th>Asset</th>
<th>Current use</th>
<th>Current service use?</th>
<th>Funded future use?</th>
<th>Reserves Act</th>
<th>Public works act</th>
<th>Local Board view</th>
<th>Estimate value</th>
<th>Valuation type</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>B</td>
<td>Albert-Eden</td>
<td>2 Wiremu Street, Baimoral</td>
<td>Childcare centre</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>$1,650,00</td>
<td>0CV</td>
<td>Commercially leased childcare facility. LB want to hold for community lease. Community Facilities advice not suitable for community leasing</td>
</tr>
</tbody>
</table>

- Full schedule provided – but don’t have local board view yet
- 5 properties (Group C) no longer candidates after investigation
- Review selection of Group A – public works act, no clear use

Together we can recover stronger.
Discussion

- Will improvements suggested improve confidence in both process and meeting budget?

- What other information is needed in regular reporting?

Together we can recover stronger.
Te take mō te pūrongo
Purpose of the report
1. To consider a principled approach to asset recycling decisions and to progress approvals in relation to several properties with decisions to be recommended to the Governing Body.

Whakarāpopototanga matua
Executive summary
2. Asset recycling is an important lever for the council allowing capital to be invested in the most strategically important activities. The Emergency Budget (if adopted as consulted) includes at least $224m proceeds to be realised from asset recycling in FY21/22. This is an increase of at least $200m from the 10-year budget and will be achieved from 2 focus areas – property rationalisation and alternative commercial arrangements.

3. The Finance and Performance Committee is accountable for achieving the budget with the Group Chief Financial Officer responsible for implementing decisions made. To support effective decision making the following principles have been developed:
   i. Effective governance and decision-making
   ii. Alternative use considered
   iii. Value for money
   iv. Transparency
   v. Efficient and effective processes
   vi. Statutory obligations

4. Implementation of the principles will include guidance around the use of valuations, improved reporting, earlier engagement with local boards and stakeholders and the Audit and Risk Committee to review the effectiveness of controls.

5. A property rationalisation pipeline of properties with no current or future funded service use was included in the Emergency Budget consultation document. Approval for disposing of properties, subject to the satisfactory conclusion of any statutory processes will be made by the Finance and Performance Committee. Such approval is sought for disposal of the properties in Schedule A.

6. Opportunities exist to change the commercial arrangements that council has in place which may include restructuring existing lease arrangements, receive lease payments in advance or grant a concession to use a council asset.

7. The sale of car park concessions is the largest opportunity and was originally considered as part of the additional funding requirement for City Rail Link. Auckland Transport will develop a business case to be considered at a future Finance and Performance Committee meeting.

8. Further opportunities together with progress reporting will be provided to the Finance and Performance Committee.

Ngā tūtohunga
Recommendation/s
That the Finance and Performance Committee:

a) approve the principles set out in paragraph 15 supporting the implementation of the asset recycling budget.
b) request that the Audit and Risk Committee review the property rationalisation process and make any recommendations for improvement.

c) recommend that Governing Body approve subject to the satisfactory conclusion of any required statutory processes the disposal of the properties detailed in Schedule A with the final terms and conditions to be approved under the appropriate delegations.

**Horopaki Context**

9. Asset recycling is an important lever for the council allowing capital to be invested in the most strategically important activities.

10. The 10-year budget has financial targets from asset recycling (excluding asset sales linked directly to specific projects and programmes such as the unlock and transform programme).

11. A key consideration for asset recycling is the opportunity cost of holding an asset which is not providing a service or generating an appropriate financial return against the opportunity of investing in new assets which deliver council services.

12. The Emergency Budget (if adopted as consulted) includes at least $224m proceeds to be realised from asset recycling in FY21/22. This is an increase of at least $200m from the 10-year budget and will be achieved from 2 focus areas.

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Low ($)</th>
<th>High ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property rationalisation pipeline</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>Alternative commercial arrangements (leasing, sale of lease interests) including carparks</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>350</strong></td>
</tr>
</tbody>
</table>

13. The context of developing the Emergency Budget is important. The 10-year budget had a budget of $24m from asset sales for FY20/21 and a pipeline existed to achieve that. The increased budget has required staff across the council group to rapidly develop a pipeline of asset recycling opportunities with further investigation now required on some of these. Not all opportunities will be realised and in order to meet the budget the overall pipeline must be greater than the budget.

**Tātaritanga me ngā tohutohu**

**Analysis and advice**

14. The Governing Body (delegated to Finance and Performance Committee) is accountable for the asset recycling budget. The Group Chief Financial Officer supported by council and CCO staff is responsible for implementing decisions made by the Finance and Performance Committee to achieve the asset recycling budget.

15. To support the execution and achievement of the budget principles have been developed to assist elected members and staff.

**Principles to support the implementation of the asset recycling budget**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Effective governance and decision-making</td>
<td>The Governing Body (delegated to Finance and Performance Committee) after considering the views and preferences of local boards approves any property for disposal.</td>
</tr>
<tr>
<td>2 Alternative use</td>
<td>Consideration will be given as to whether a property has any alternative funded future use prior to any disposal.</td>
</tr>
</tbody>
</table>
Applying the principles to valuations

16. Most properties are sold by a contestable market process. This is one where a willing buyer ultimately determines the value of the property. Some properties are sold by a non-contestable process. Most commonly this is where there are aligned strategic objectives e.g. Kainga Ora or iwi, an adjoining owner is the only potential buyer or council is meeting obligations under the Public Works Act.

17. Valuations will be obtained as follows:

<table>
<thead>
<tr>
<th>Sale approach</th>
<th>Minimum valuation(s) requirements</th>
<th>Additional requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market process</td>
<td>1 registered valuation</td>
<td>Where high value property or high levels of public interest, additional valuations may be obtained</td>
</tr>
<tr>
<td>Closed market process</td>
<td>2 registered valuations</td>
<td></td>
</tr>
</tbody>
</table>

18. To protect councils legal and commercial interests confidentiality of valuations need to be maintained until the completion of the sale process. Should a sale not be able to proceed within 90% of the valuation additional guidance will be sought from the Finance and Performance Committee.

Applying the principles to transparency

19. Regular reports will be provided to the Finance and Performance Committee providing an update on the pipeline and status of the budget. This may include the following:

   a. Status update for each property
Audit and Risk Committee
15 September 2020

Extraordinary Finance and Performance Committee
16 July 2020

b. Potential additions to the pipeline and properties which following investigation should be removed
c. Risks and management approach
d. Financial – progress against budget

Applying the principles to efficient and effective processes
20. An efficient and effective process must also have effective controls. To provide confidence that the processes have effective controls the Audit and Risk Committee will review the asset recycling process and make any recommendations for improvement.

Focus area – property rationalisation
21. The most common asset recycling is the property rationalisation process managed by Panuku. Panuku operate across the Group identifying property (land and buildings) which do not have a current or future service use and could be candidates for rationalisation. This includes identifying properties in the council portfolio that are no longer required for future services (or public work) purposes and may be suitable for sale, and development if appropriate.

22. The property rationalisation process is well developed. Once a property has been identified as no longer required for current public work purposes, Panuku engages with the council and its CCs to establish whether the property must be retained for a strategic purpose or is required for a future funded public work. The rationalisation process also includes engagement with ward councillors, local boards and mana whenua.

23. A future pipeline of opportunities has been developed and was included in the Emergency Budget consultation document. These properties will be considered by the Finance and Performance Committee over the next few months. Some new properties may be added to the pipeline and some after further investigation may no longer candidates for disposal.

24. The first group of properties to be considered are attached as Schedule A. All these properties were identified as potential disposals in the consultation document and none of these properties are deemed significant under Auckland Council’s Significance and Engagement Policy.

25. The properties in Schedule A are considered surplus. There are 48 properties which have a total capital value (rating value) of $34.5m.

26. The properties in Schedule A have been identified as having many of the following characteristics:
   - no current or future funded service use
   - no alternative use identified
   - low community interest
   - supported by local board

27. The other properties in the consultation document are schedule B. Schedule B includes 35 properties with a total capital value of $53.8m. These properties have not yet been declared surplus by Auckland Council and will be considered at future Finance and Performance Committee meetings. Should these properties be deemed surplus to Auckland Council’s requirements, it will comply with its statutory obligations relating to each property.

Focus area - alternative commercial arrangements
28. Opportunities exist to change the commercial arrangements that council has in place. Council may be able to restructure existing lease arrangements or receive lease payments in advance. Further work is required to assess these opportunities.

29. Sale and leaseback are an opportunity, but care is needed. For example, the sale and leaseback of office accommodation would provide a new source of funds, but the lease is considered as debt and doesn’t help the debt to revenue ratio.
30. Sale of car park concessions is the current opportunity to be considered.

Carparks
31. As part of the additional funding commitment for the City Rail Link project $60 million was identified as proceeds from the sale of car park concessions scheduled for FY23/24. The Governing Body resolution approving this included a range of items that should be considered as part of strategies to assess future off-street parking requirements for Auckland.

32. A review of the car park strategy is currently underway, and initial work has identified that the strategy is basically sound in relation to the city centre. A key objective of the strategy is “supporting economic development in the city centre”.

33. Initial work has also identified that future developments within the city centre, such as the A4E (Auckland for Everyone) project, are likely to remove between a third and a half of on-street parking capacity. This will increase the importance of the parking buildings as a future source of short stay parking to support economic and cultural activity within the city centre.

34. The commercial opportunities are envisaged to be the sale of a car park concession for
   a. Civic car park
   b. Victoria Street carpark
   c. Fanshawe Street carpark

35. The Downtown carpark is not proposed to be included at this time under a concessionary arrangement. This is a prime development site but has several issues and complications which need to be considered to maximise the value. Strategically the Downtown site is also seen as part of a broader solution to providing access to the city centre which could potentially be incorporated within a development opportunity.

36. A sale of the car park concession does not result in any change of ownership and effectively is council receiving a lump sum prepayment of future income streams.

37. Auckland Transport are developing a business case to be considered at a future Finance and Performance Committee meeting.

Public consultation views on asset recycling
38. Feedback was received on asset recycling as part of the Emergency Budget:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number supporting</th>
<th>Number opposing</th>
</tr>
</thead>
<tbody>
<tr>
<td>General submissions</td>
<td>175</td>
<td>186</td>
</tr>
<tr>
<td>Submission on an identified property</td>
<td>1</td>
<td>20</td>
</tr>
</tbody>
</table>

39. Some feedback received supported the sale of identified properties:

<table>
<thead>
<tr>
<th>Property address</th>
<th>Number supporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Victoria Road</td>
<td>1</td>
</tr>
</tbody>
</table>

40. Some feedback did not support the sale of identified properties:

<table>
<thead>
<tr>
<th>Property address</th>
<th>Number opposing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/328 Lake Road</td>
<td>1</td>
</tr>
<tr>
<td>2 The Strand</td>
<td>1</td>
</tr>
<tr>
<td>20 Hopetoun St</td>
<td>1</td>
</tr>
</tbody>
</table>
Tauākī whakaaweawe āhurangi
Climate impact statement
41. Recommendations in this report have a neutral climate impact. Cash receipts from asset recycling allow council to respond to climate impacts.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
42. Asset recycling takes a group approach. Council and CCO’s all identify potential opportunities and prior to any disposal checks are made that council or a CCO do not have an alternative use.

43. Implementing the resolutions in this report will require input from council, Auckland Transport and Panuku.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
44. Local boards have provided mixed feedback on asset recycling with some boards supporting, some conditionally supporting and some opposing. Some opposition is on specific properties some is on all opportunities. This feedback has been provided via Local Board feedback resolutions, or to staff from ward councillors.

45. Local boards have also asked for greater communication and early engagement which has been incorporated in the principles.

46. For Schedule A properties local boards support or do not disagree to these disposals (whether in relation to that specific property or to all disposals). The only exceptions are the below:

<table>
<thead>
<tr>
<th>Board</th>
<th>Property</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Howick</td>
<td>34 Moore Street</td>
<td>Building has been vacant for over 10 years and has structural and weathertightness issues. Local board want to retain for community use.</td>
</tr>
<tr>
<td>Howick</td>
<td>28 Simon Owen Place</td>
<td>483m² triangular shaped reserve with overland flow path. Not required for open space network. Adjacent to a school which is interested to purchase. Local board to not support the sale.</td>
</tr>
<tr>
<td>Kaipatiki</td>
<td>105 Stott Road</td>
<td>Landlocked site – only residents of adjoining houses can access. Reserve status revoked by North Shore City Council in 1988 to prepare for sale. Local board do not support the disposal.</td>
</tr>
<tr>
<td>Kaipatiki</td>
<td>107 Lynn Road</td>
<td>71m² narrow access strip to reserve. Land is steep and does not provide</td>
</tr>
</tbody>
</table>
47. Local board views and preferences on other identified properties will be included when these are considered by the Finance and Performance Committee.

Tauākī whakaaweawe Māori
Māori impact statement

48. Māori have an active and specific role in Auckland, including kaitiakitanga (guardianship) of our land and marine resources. Land has a specific role in protecting, enabling and building Māori social and cultural capital. Local marae, kohanga reo, and other Māori entities offer spiritual, cultural, as well as a range of social, educational, health and justice services for the community.

49. The importance of effective communication and engagement with Māori about land is understood. The process to date undertaken by Panuku is engagement with mana whenua groups across the region. Each relevant mana whenua group is contacted independently regarding council-owned land subject to rationalisation and requested to give feedback. This provides mana whenua the opportunity to respond with any issues of cultural significance the group would like to formally express in relation to the subject properties.

50. Mana Whenua consultation as above has not yet been completed for all Schedule A properties. Should Mana Whenua raise any issues of cultural significance these will be referred to the Finance and Performance Committee.

51. Mana whenua groups are also invited to express potential commercial interest in the subject sites. In the event the sites are approved for sale, all groups will be alerted of the decision, and all groups are alerted once a property comes on the market.

Ngā ritenga ā-pūtea
Financial implications

52. Capital receipts from the sale of properties not required by Auckland Council contribute to the Emergency and 10-year Budgets by providing the Council with an efficient use of capital and prioritisation of funds to achieve its activities and projects.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations

53. The properties in this report are not required for a council service use. The following are potential risks of retaining the properties:

- Increased current and future maintenance costs
- The opportunity cost of not being able to invest in strategically important activities
- Economic downturn making it more difficult to attract potential purchasers at the optimum price.

54. There may be a perceived risk that disposing of these properties means that they will not be available for future council group use if required and further purchases may be necessary. This risk is considered low because we have carefully confirmed throughout the group that these properties are not required now or in the future for a council service use.

Ngā koringa ā-muri
Next steps

55. Should the Finance and Performance Committee approve the proposed disposals, the following will be completed (in accordance with the principles)
a. Completion of consultation with mana whenua groups
b. Completion of any statutory obligations
c. Prepare property for sale and complete sales process

56. The Finance and Performance Committee will receive regular reporting on progress.

Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Schedule A</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Schedule B</td>
<td></td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Hinewairere Warren - Project Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Kevin Ramsay - Acting Group Chief Financial Officer</td>
</tr>
</tbody>
</table>
Te take mō te pūrongo

Purpose of the report

1. To update the committee on Auckland Council’s health, safety and wellbeing (HSW) performance.

Whakarāpopototanga matua

Executive summary

COVID-19 specific matters

2. At 12 PM, Wednesday, 12 August 2020, Auckland moved into Alert Level 3. Supporting the organisation has been the priority for HSW in the lead up to this and during the weeks Auckland was at Alert Level 3. There have been multiple streams of work to support the organisation and maintain business continuity, led by Corporate Property with specialist input from People & Performance, HSW, ICT, Risk & Assurance, and Communications. HSW staff have been deployed to Auckland Emergency Management and are supporting the organisation in its response.

3. At midnight on Sunday 30 August, Auckland moved back to Level 2. To support this there has been considerable effort to manage return to work of council staff safely and prudently. This has involved considerable communications to all staff about how to work within the restrictions of Level 2 as appropriate. There has been a focus on masking, contact tracing, and refining a process to deal with a scenario where someone in a team has COVID-19.

4. There has also been much work done on employee wellbeing during the initial Alert Levels 4 and 3 lockdown, 25 March 2020 – 13 May 2020, and subsequently. The work undertaken is detailed in the report and the council is continuing to see what lessons can be taken from experiences to date.

Normal business

5. HSW, like many parts of the organisation have had to adjust to reflect the challenges of COVID-19 and this has involved the reprioritisation of many of our programmes. This is discussed in more detail further on in this report. In particular, we have given greater priority to our wellbeing proposition, which has been positively received by employees.

6. The operating model (way we are organised) is being reviewed by the Transition Unit to ensure that it is fit for purpose and structured in the right way to deliver the organisation’s strategy Kia Manawaroa Tātou. In particular, this will focus on maximizing the outcomes from the current model of a central specialist team working alongside embedded specialists in the business units.

7. There have been five notifiable incidents in the period May to August 2020, since the last Audit and Risk Committee report. Some of the key lessons from those incidents are highlighted below in section 19. Reflecting the significant number of employees who have worked from home over the course of the year, non-notifiable incidents have trended down. The data shows that individuals responsible for closing out incidents have not necessarily done so in line with our expectations. The reasons for this are being investigated and could range from a lack of entering outcomes into the HSW electronic safety recording system (Risk Manager) through to a lack of ownership by the people responsible.

8. A review of Risk Manager has highlighted the potential benefit of developing an in-house solution based on the existing council technology platform. There is further work to be done before a final decision is made. This is an opportunity to reinforce the importance of accurately capturing incidents and mitigation steps undertaken in response.
9. Safe365 (the assurance system the council uses for internal HSW assessments) continues to be our best lead indicator of the organisation’s HSW culture. The current aggregated result of 61 per cent is above the industry sector 57 per cent benchmark. Unfortunately, COVID-19 has affected the annual verification programme, but we are working towards verifying six business areas by the end of September 2020.

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

a) note the summary and organisational responses in the report and refer this report to the Governing Body and draw the attention of elected members to their duties under the Health and Safety at Work Act 2015, along with any commentary the committee thinks appropriate

b) forward the report to Local Boards for their information.

Horopaki
Context
10. This report provides suitable information to enable the committee to provide objective advice and recommendations to the governing body on the adequacy and functioning of the council’s HSW risk management system.

Tātaritanga me ngā tohutohu
Analysis and advice

COVID-19 specific matters

COVID-19 Alert Level 3 announced on 12 August 2020

11. As with the initial COVID-19 lockdowns, Auckland Council has acted on a number of fronts to ensure staff and visitor safety is at the forefront of our actions. This includes:

a) A Crisis Management Team, under Ian Maxwell, comprised of senior leaders and charged with overseeing the organisation’s preparedness, meets several times a week. There is also a Corporate Resilience Team, which reports into the Crisis Management Team, that is responsible for preparing guidelines and giving effect to council’s response.

b) Personal Protective Equipment (PPE): Auckland Council has taken steps to ensure there are sufficient stocks of PPE, including masks, which are available for council’s essential workers.

c) Support for employees working from home has been reviewed and updated to reflect lessons learned from the first lockdown. This includes guidance and support for people leaders and team members.

d) Track and tracing: now that initial issues have been worked out, the Government’s QR code posters have been distributed to council facilities. The importance of individual diaries has been emphasised to staff and tracing functionality is in place in the buildings, using ICT login data, sign on sheets should we be required to provide this information to Ministry of Health.

e) Auckland moved from Alert Level 3 to Level 2 at 11:59 PM on Sunday, 30 August 2020. In preparation for this, comprehensive guidance was provided to people leaders and employees about the council’s approach to what facilities would be open and at what level of occupancy, physical distancing, mask wearing, and contact tracing.
Wellbeing

12. There has been a particular focus on employee wellbeing over the COVID-19 lockdowns. Although Employee Assistance Programme (EAP) usage during the initial lockdown period declined, there were several complex wellbeing cases reflecting the stress a number of our people experienced at this time. These included depression, anxiety, stress, and relationship discord with family.

13. EAP, Manawa Rahi (Auckland Council’s conflict resolution service), and the Wellbeing Hub provide specific support which includes:
   - Mental health toolkits - staying connected
   - Budgeting in a crisis
   - Resilience webtalk – Dr Lucy Hone story
   - Physical wellbeing
   - Working remotely and work life balance.

14. We are also working to “train-the-trainer” in the ‘5 Ways to Wellbeing workshop’, which has previously been a well patronised offering, so council presenters can deliver workshops to potentially higher numbers of participants at lower cost.

15. The capability of our people to operate in a changing environment with the inevitable concerns over job insecurity is of real concern to employees and unquestionably results in increasing levels of anxiety and lowered mental wellbeing. Resilience training webinars have been developed and are now being delivered, and EAP is available 24 hours / 7 days a week for our people who have any concerns.

16. The effectiveness of the wellbeing programme was provided during the recent COVID-19 staff pulse survey when 85 per cent of staff agreed or strongly agreed that the organisation actively looks after its employees.

Normal business

17. Attachment A to the report is the HSW dashboard for September 2020.

Changing workplace

18. Following the potential savings outlined in the Emergency Budget, a transition unit is leading the work to review the council’s operating model to find more efficient ways to organise ourselves and deliver services. As part of its program of work the Transition Unit will look at how Auckland Council’s HSW function is delivered under the new model to ensure it remains relevant and effective.

19. It is expected that Transition Unit review will be completed by November 2020 and the review of the HSW strategy and framework will be completed as soon as possible after that.

Notifiable Incidents

20. Five incidents have been notified to Worksafe in the period May to August 2020 as detailed in the table below. The key lessons from these incidents are:

<table>
<thead>
<tr>
<th>#</th>
<th>Incident Details</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unconscious person rescued from Main pool.</td>
<td>Glenfield Pool &amp; Leisure Centre</td>
<td>WorkSafe have not requested any further information. Investigation by Corporate HSW.</td>
</tr>
<tr>
<td>2</td>
<td>A member of the public passed away after suffering a medical event.</td>
<td>Manurewa Pool &amp; Leisure Centre</td>
<td>Investigated by police. No further action required from WorkSafe.</td>
</tr>
<tr>
<td>3</td>
<td>AIMS worker dropped a running chain saw while tree trimming.</td>
<td>Public property</td>
<td>Reported to WorkSafe. Incident investigated by AIM.</td>
</tr>
</tbody>
</table>
### Incident Details

<table>
<thead>
<tr>
<th>#</th>
<th>Incident Details</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Contractor worker suffered a minor injury after a chainsaw came into contact with his upper thigh.</td>
<td>Huia Park</td>
<td>Investigated by contracting company - Alternative style of upper thigh PPE being investigated and will be phased in. No further action required from WorkSafe.</td>
</tr>
<tr>
<td>5</td>
<td>Contractor worker struck underground gas line pipe with digger while excavating trench.</td>
<td>Grey Lynn Rugby stadium</td>
<td>Contracting company conducted investigation with Community Facilities HSW. WorkSafe notified - no further action required.</td>
</tr>
</tbody>
</table>

- Incident #1 provided lessons of shallow water black-out (SWB). SWB is a term used to describe a loss of consciousness under water caused by a lack of oxygen to the brain following breath-holding. It is triggered by breath holding repeatedly and for too long. Without immediate rescue, the swimmer quickly drowns. Active Recreation have taken swift action to raise awareness of shallow water blackout amongst their lifeguards and are identifying further opportunities to raise awareness of this issue.

- Incident #4 highlighted the requirement for suitable PPE. A chainsaw contacted a free hanging adjustment strap of the upper thigh protective 'chaps' of the injured person. The chainsaw bar “grabbed” the adjustment strap and the bar tip was drawn through the closure of the chaps, cutting the adjustment strap in the process and making a 40mm laceration in the left inner knee area. The design of the chainsaw chaps is being reviewed to see if there are brands/models available that do not have the same loose strap hazard.

### Incidents

21. Trips, slips and falls have been identified as the top incident category with 214 reported incidents during the period from February 2020 to 31 August 2020. Incident reporting has increased post initial lock-down and is currently tracking at approximately 80 per cent of pre-lockdown levels. Incident and corrective action management within expected timelines is being exceeded so all incident and corrective action owners will be contacted advising them of the expectations to manage incidents and close-out corrective actions within expected timelines.

22. Throughout the first COVID-19 emergency period (21 Mar – 8 June 2020) there were 26 reported work at home incidents from poor workstation set-ups that resulted in musculo-skeletal injuries. Corporate Property are working closely with the corporate HSW team to identify how our people can best be supported in the home environment. Data on whether the August Alert Level 3 lockdown has resulted in further such injuries will be provided in the next update.

23. Timely injury management continues through our partnership with Wellnz as all programme key performance indicators were achieved over the last reporting quarter.

### Safe365 assessment

24. HSW internal self-assessments are undertaken across council using the Safe365 assurance system.

25. The Safe365 dashboard provides excellent insights into the health and safety capability using the innovative and interactive Safe365 starburst (see Figure 1 below). The centre of the starburst is the overall health and safety status. Surrounding the index score are the results across the ten Safe365 assessment modules. The outer ring shows results for each competency within each module.

26. The Safe365 starburst within the Safe365 platform allows the user to hover over different components of the Safe365 health and safety assessment results and see the areas where there is strong capability and areas for improvement. The council has 47 starbursts across its business that are aggregated into the Auckland Council dashboard starburst at figure 1.
Figure 1: Safe365 Auckland Council aggregated dashboard starburst

### Safe 365 Starburst Modules

<table>
<thead>
<tr>
<th>Module</th>
<th>Description</th>
<th>Improvement Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Director knowledge</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Management knowledge</td>
<td>Management risk expertise and HSW Inductions</td>
</tr>
<tr>
<td>3.</td>
<td>Worker / Contractor knowledge</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Health and safety management system</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Verification and audit activities</td>
<td>Risk assessment and Internal auditing</td>
</tr>
<tr>
<td>6.</td>
<td>Emergency preparedness</td>
<td>Crisis management expertise and strong emergency preparedness and planning to respond to an emergency</td>
</tr>
</tbody>
</table>

27. The current aggregated council Safe365 dashboard score is 61 per cent indicating that council is likely to be generally compliant with some areas of strong capability as defined by Safe365. It should be noted that the aggregated score of 61 per cent is currently above the Safe365 industry sector score of 57% as provided by Safe365 benchmark data.

**Auckland Council aggregated dashboard starburst summary:**

<table>
<thead>
<tr>
<th>Module</th>
<th>Description</th>
<th>Improvement Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Management knowledge</td>
<td>Management risk expertise and HSW Inductions</td>
</tr>
<tr>
<td>5</td>
<td>Verification and audit activities</td>
<td>Risk assessment and Internal auditing</td>
</tr>
<tr>
<td>6</td>
<td>Emergency preparedness</td>
<td>Crisis management expertise and strong emergency preparedness and planning to respond to an emergency</td>
</tr>
</tbody>
</table>

28. Through our self-assessments, modules 2, 5, and 6 are focus areas for improvement (indicated by various shades of orange).

- Module 2 is made up of 8 areas and making improvements in the module areas of risk expertise and induction will improve the Management Knowledge rating.
- Module 5 is made up of 7 areas and making improvements in the module areas of risk assessment and internal auditing will improve the Verification & Audit Activities rating.
- Module 6 is made up of 7 areas and making improvements in crisis management expertise and ensuring strong preparedness and planning to respond to an emergency will improve the Emergency Preparedness rating.
Risk Profiling
29. The council has previously developed and referred to a ‘critical risk’ list that identified 19 critical risk labels. An evidence-based approach to determine the critical risks has not been undertaken previously, and some descriptors had been inaccurately identified as risks. These issues have now been addressed.

30. A new evidence-based approach has commenced that will accurately identify the HSW risk profile of council, ultimately allowing resources to be targeted to mitigate, manage, and monitor the future identified top ‘critical’ risks more effectively. Several workshops have been held across council departments with HSW specialists, and a model developed on agreed risk criteria has been used in a trial. Further adaptation of this model is now required based on feedback prior to wider testing that will lead to robust data collection, analysis and evaluation of council risks.

Incident and Risk Management
31. Our HSW electronic safety recording system (Risk Manager) is under-utilised by our people so it is challenging to obtain robust data that provides meaningful insights into our HSW landscape. A review to assess the suitability and value of this system revealed the potential for ongoing cost savings from developing a HSW recording system based on the existing council technology platform. Significant consultation has occurred through numerous workshops to determine Risk Manager user issues and identify potential solutions.

32. Phase 1 of 3 (incident and risk management) of this project is on schedule and the new platform will be designed and built by an internal solutions architect. A working model to test in a pilot trial is scheduled to be available for pilot testing during October 2020, with the new tool becoming operational at end of March 2021.

External engagement
33. The corporate HSW team have frequent and meaningful contact with counterparts in the council-controlled organisations through formal and informal channels. Sharing of ideas, risks, processes and procedures, and strategic thinking take place which accesses the available knowledge and experience across the group. This sharing of information and resources was very evident and beneficial during the recent COVID-19 Alert level 4 lockdown.

Tauākī whakaaweawe āhuarangi
Climate impact statement
34. The information in this report does not impact on climate change.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
35. This report is based on council activities only and does not provide a group-wide view.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
36. Local boards are aware of the changing environment and financial impact on council.

Tauākī whakaaweawe Māori
Māori impact statement
37. No additional Māori impact.

Ngā ritenga ā-pūtea
Financial implications
38. There are no additional financial implications in this report.
Ngā raru tūpono me ngā whakamaurutanga

Risks and mitigations

39. The risk of non-compliance with health and safety is recorded in the council’s top risk register. This risk register entry details the controls and mitigations in place.

Ngā koringa ā-muri

Next steps

40. Ongoing focus on well-being offering, including bringing the ‘5 Ways to Well-being’ workshop in house.

41. HSW and Corporate Property will continue to work on ensuring employees can work from home safely and with appropriate support.

42. External verification of the Safe365 self-assessments are undertaken across six selected business areas each year by an external certified auditor. The COVID-19 pandemic impacted the delivery of the annual external verification programme which was scheduled to be completed by the end of June 2020. It is anticipated that the external verification of six business areas will be completed by the end of September 2020.

43. HSW and ICT will progress a pilot trial of the new HSW safety recording platform.

44. Upon completion of the Transition Unit’s review of the council’s operating model the corporate HSW team will commence the identification of key tasks to enable effective oversight of the HSW Framework to achieve progressively higher standards of work health and safety, and worker wellbeing.

Ngā tāpirihanga

Attachments

<table>
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<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
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<tbody>
<tr>
<td>A1</td>
<td>HSW Dashboard</td>
<td>121</td>
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</tbody>
</table>

Ngā kaihaina

Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Authorisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andre Lubbe - Head of Employment Relations</td>
<td>Patricia Reade – Director People</td>
</tr>
<tr>
<td>Jan Pratt - Senior Administrator</td>
<td>and Performance</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
HSW Dashboard – ARC Report Aug 2020

Incident Reports

Corrective Actions

Top 5 Incident Categories (Feb – Aug)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trips / slips / falls</td>
<td>214</td>
</tr>
<tr>
<td>Public Safety</td>
<td>183</td>
</tr>
<tr>
<td>Environmental</td>
<td>135</td>
</tr>
<tr>
<td>Driving a vehicle</td>
<td>121</td>
</tr>
<tr>
<td>Manual handling</td>
<td>120</td>
</tr>
</tbody>
</table>

Injury Severity (Feb – Aug)

- Lost time injury: 26
- Restricted Work injury
- Medical treatment: 91
- First aid injury: 85
- Discomfort: 112
- Near miss: 141
Te take mō te pūrongo
Purpose of the report
1. To brief the committee and seek feedback on:
   • progress against year 1 of the Assurance Strategy 2019-22
   • the draft Assurance Plan 2020/2021.
2. To approve the Auckland Council Assurance Services Charter.

Whakarāpopototanga matua
Executive summary
3. This committee approved the Assurance Strategy 2019-22 in August 2019. The Strategy is attached at Attachment A.
4. Although the Assurance Plan 2019-20 was refocussed in April 2020 to respond to the heightened risk of control breakdown as a result of the COVID-19 pandemic, good progress has been made against the year 1 priorities contained in the Assurance Strategy 2019-22.
5. The approach to fraud and integrity risk mitigation strategy has been executed as planned.
6. A draft Assurance Plan 2020-2021 has been provided for the committee’s review and feedback (Attachment B). The assurance plan contains a rolling schedule of audits and reviews to assess the effectiveness of key controls and processes that manage council’s top risks, core business processes and high priority issues. The refocussed COVID-19 Assurance programme will remain a primary feature of the programme into the foreseeable future.
7. Members of the council’s Executive Leadership Team (ELT) are providing feedback alongside this committee and we will bring the Assurance programme back to the Audit and Risk Committee for endorsement in December 2020.
8. The Auckland Council Assurance Services Charter (Attachment C) establishes the mandate, scope of work, independence and accountabilities of the Assurance Services department. It is a requirement of the Institute of Internal Audit (IIA) International Professional Practices Framework that the committee approve this charter annually. There are no substantive changes to the charter which was last approved in August 2019.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:
   a) note progress against year 1 of the 2019-22 Assurance Strategy
   b) note the draft Assurance Plan 2020-2021 and provide feedback to staff
   c) approve the Auckland Council Assurance Services Charter.
Horopaki
Context

9. The committee approved the 2019-22 Assurance Strategy in August 2019. It is attached at Appendix A.


11. Since 2015 the Assurance Services department (the department) has focussed on progressively moving the mix of assurance work from low level compliance assurance work to ‘real-time’ advice including:
   - the provision of assurance on whether controls are ‘fit for purpose’ and operating effectively (getting the basics right)
   - continuing to align its programme with Council’s risk framework and prioritisation
   - continuing the focus on education, training and awareness raising - in particular in the fraud and integrity areas, and advice on governance and internal control matters
   - the provision of timely advice on probity (procurement and projects), management of conflicts, integrity and internal control
   - Aligning the work of the department to the key pillars of Our Charter which was endorsed by the Governing Body in March 2018, and the ‘Speak Up’ initiative which is core to the success of Our Charter
   - providing governance support, training and advice to elected members – in particular around appropriate management of conflicts of interests. Our Charter has been integrated into the delivery of ongoing education, training and support to elected members.

12. The 2019-22 Assurance Strategy does not alter radically the general direction and foundation set by the previous strategy. However, the department is now leveraging a new Assurance Services structure to embed an integrated and agile approach that draws on all the assurance disciplines and targets the best resources and skills depending on the issue.

13. The following six strategic objectives have been developed for Assurance Services:
   a) embed Our Charter and ‘Speak Up’
   b) strengthen culture and capability - balance reactive and proactive/preventative activities
   c) make the most of expertise and resources - implement integrated ways of working to deliver probity, integrity, audit and elected member support – optimise use of external resources for additional investigation and specialist advisor work
   d) maintain and build visibility, trust and confidence in the team and council – communications, transparency and proactive reporting
   e) maximise efficiency in detection and response and enable continuous improvement across the council through expanded use of data analytics
   f) build strong alignment, close collaboration and coordination with the Risk and Insurance, Health, Safety and Wellbeing, Financial Control, Nga Mātārae, and Privacy/Local Government Official Information and Meetings Act teams.

14. These objectives, supported by priority initiatives over the next three years, will enable the department to prioritise and focus its work programme and enable trust and confidence in the council.
Tātaritanga me ngā tohutohu
Analysis and advice

Progress against year 1 of the 2019-22 Assurance Strategy

15. The department has made good progress against the Assurance Strategy 2019-22.

16. Progress has been impacted by the COVID-19 pandemic and lockdown. The audit programme was quickly refocussed such that the primary focus of the work being performed is on the provision of assurance that core internal control is continuing to operate.

17. Progress against the strategic priority areas for the first year of Assurance Strategy 2019-22 has been:

Develop and implement whole of assurance services response approach

- The focus has been on a coordinated, risk-focused, tailored response that draws on all the assurance disciplines – integrity, audit, probity, elected member advice.
- This approach has been strongly reflected in execution of the Covid-19 refocused Assurance Programme.
- This has included the integration of data analytics as a means to identify and test higher risk transactions.
- In 2021 we will develop the data assurance strategy to move to using data analytics as a tool to improve organisational performance.

Audit and Probity

- The Assurance Plan 2019-20 has been delivered. We have reported against the Assurance Plan 2019-20 separately to this committee.

Integrity

- The gift register has been published on the Auckland Council website since March 2020.
- The conflict of interest declaration process for all staff was implemented in September 2019. Approximately 6500 staff have completed their declaration. This is an annual process completed on each staff member’s anniversary, or whenever a staff member’s circumstances change. This represents a significant improvement in conflict of interest management.
- Integrity e-learning has been delivered. Uptake to date has been low (approximately 900 staff have completed the e-learning module). The Executive Leadership Team has recently mandated the completion of this module as well as cyber security e-learning. The department is working with ICT and People and Performance to give effect to this directive. The expectation is that all staff will have completed this e-learning by December.
- The 0800 INTEGRITY line and speak up channel has been maintained.
- Assurance Services is working with other speak up channels to improve information sharing, co-ordination and reporting to ELT.

Elected Members Advice

- There has been a consistent number of requests for personalised interest management advice from elected local board members. This advice has included advice regarding managing the perception of predetermination, as well as financial conflict of interest management.
- The Assurance Services department have worked alongside council’s legal team and the Auditor-General Office to ensure that all elected members are compliant with the Local Government Members Interest Act 1968 disqualification rule.
• A series of workshops introducing local board members to Assurance Services as well as a discussion on gifts and interest management has been offered to each of the local boards. The first of these sessions took place on 28 November 2019 with all 21 local boards to be visited before Christmas 2020.

• The Assurance Services department together with the Auditor-General’s Office have facilitated two conflict of interest sessions as part of the Kura Kāwana elected member development programme entitled “Should I? Could I? Will I?” The sessions focussed on scenario-based learning and took place in February and March 2020. They were attended by 43 per cent of first term local board members. Feedback indicates 95 percent of attendees were satisfied with the workshops.

**Pilot departmental “assurance checkup” approach**

• Assurance Services has partnered with Infrastructure and Environmental Services to identify needs and deliver tailored support – education, process audit, probity, integrity – whole team approach.

• In 2021 we will expand this to include other higher risk areas of Council e.g. ACE, Regulatory and AIMS.

**Fraud and Integrity risk mitigation**

• The approach to fraud and integrity risk mitigation has been executed as planned.

• This has been achieved by:
  o an overriding ethos and recognition that fraud and integrity risk is real
  o oversight by this committee of Fraud and Integrity risks and mitigations as a “Top Risk”
  o the provision of dedicated resource
  o system and process controls:
    ▪ budget setting and monitoring, delegations of financial authority, segregation of duties, vendor and payroll master file controls, robust internal and external recruitment processes
    ▪ Physical security, ICT security controls, SAP profile set up, procurement processes, anti-money laundering framework
  o Conflict of Interest Declarations reminders for all staff and public publishing of the Gift Register
  o speak up framework – with a number of options for staff to “speak up” including the 0800INTEGRITY line
  o Assurance Plan 2019-20 including the use of data analytics integrated into the Audit and Probity work programme.

**Assurance Plan 2020-2021**

18. The Assurance Services department provides independent assurance that council’s system of internal controls is designed appropriately and are operating as intended.

19. The attached draft Assurance Plan 2020-21 adopts a rolling approach to plan and deliver reviews through three phases: scoping/planning, fieldwork and reporting. (Attachment B)

20. In April 2020 this Committee approved a refocussed assurance plan, which provides assurance that key internal controls are continuing to operate while the Council responds to the COVID-19 pandemic. This focus will continue into the foreseeable future.

21. The attached draft Assurance Plan 2020-21 includes reviews in progress, reviews due to be started and completed within the next six months, and potential future reviews subject to further planning. It is a living document to be updated on an ongoing basis in response to emerging risks and developing knowledge of business activities.
22. Through these reviews, we will be able to provide assurance across a range of Our Charter principles. While much of our work relates to ‘We look after our money and assets’, we also cover other principles such as ‘We look after the people we serve’, e.g. through review of operational systems such as Asset Management Planning to support the LTP, and ‘We look after our safety and wellbeing’, e.g. through our work on health and safety.

**Auckland Council Assurance Services Charter**

23. This committee reviews and approves the Assurance Services Charter annually. This charter establishes the department’s mandate, scope of work, independence and accountabilities.

24. It is a requirement of the internal audit professional standards that the committee approve this charter. There are no substantive changes to the charter which was last approved in August 2019.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

25. There are no climate change impacts arising from this report.

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

**Council group impacts and views**

26. The Assurance Strategy 2019-22 and Assurance Plan 2020-21 is primarily for council. However, the Our Charter and speak up advisory and support activities and any audits of council systems and services that are used or shared by council and council-controlled organisations will benefit the council group.

27. Panuku Development Auckland Limited, Regional Facilities Auckland and Auckland Tourism, Events and Economic Development use the 0800INTEGRITY line and the dedicated confidential integrity email address. The Assurance Services department are called on to respond to ‘Speak Ups’, undertake independent investigations and provide advice and assurance by these organisations.

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

**Local impacts and local board views**

28. The views of local boards have not been sought in this report, or in the drafting of the Assurance Strategy 2019-22 and Assurance Plan 2020-21.

**Tauākī whakaaweawe Māori**

**Māori impact statement**


30. A key ongoing responsibility for the Head of Assurance Services is as a member of the Waharoa Group which is responsible for monitoring and reporting progress of council’s activities and projects in the Treaty Audit response workstream.

31. Council’s obligations to Māori and the Treaty of Waitangi are a core part of Our Charter. Assurance Services may investigate and support staff who have spoken up about issues where decisions and behaviours do not align with the principles in Our Charter.

**Ngā ritenga ā-pūtea**

**Financial implications**

32. There are no financial implications as a result of this report. All activity associated with drafting the Assurance Strategy 2019-22 and Assurance Plan 2020-21 have been met from within the Assurance Services department budget.
Risks and mitigations

33. The provision of the Assurance Strategy 2019-22 and Assurance Plan 2020-21 is important to ensure council has an appropriate and effective controls assurance function and effective probity, fraud and integrity prevention processes and systems.

34. The Assurance Strategy 2019-22 is aligned to the council’s corporate strategy and Our Charter and is informed by the top risk register to ensure it is focused on the priority areas.

35. The proposed direction set for assurance and audit activity is subject to feedback from both the elected and independent members of this committee and from the Executive Leadership Team of council.

Next steps

36. Following feedback from this committee, staff will also seek feedback from key members of the Executive Leadership Team of council who have responsibilities towards assurance and audit activity. This feedback will be included, along with feedback from today’s meeting at the Audit and Risk committee meeting in December 2020.

Attachments

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<tr>
<th>No.</th>
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<th>Page</th>
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<tbody>
<tr>
<td>A</td>
<td>2019-22 Assurance Strategy</td>
<td>129</td>
</tr>
<tr>
<td>B</td>
<td>2021 Proposed Assurance Plan</td>
<td>133</td>
</tr>
<tr>
<td>C</td>
<td>Assurance Charter</td>
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Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Authorisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary Hale - Integrity and Investigations Manager</td>
<td>Mark Maloney - Head of Assurance Services</td>
</tr>
<tr>
<td>Nick Rennie - Manager Audit and Probity</td>
<td>Phil Wilson - Governance Director</td>
</tr>
<tr>
<td>Maureen Glassey - Principal Advisor Governance Elected Members</td>
<td></td>
</tr>
</tbody>
</table>
Assurance Strategy 2022 - 3 Year Roadmap

We support Council to do the right thing, make good decisions to deliver for Tamaki Makaurau

We enable Aucklanders to have trust and confidence in our elected members and staff

Auckland Council’s vision is for Auckland to be a world-class city, and we’ll achieve that by having a great Council with great people who have the confidence and competence to do the right thing.

We proactively and effectively support staff and its elected members to be to meet their obligations, act with transparency and integrity, achieve value for ratepayers and residents, make good decisions, enable our communities and deliver for Auckland.

Purpose of Strategy

- Ensure effective independent assurance activities addressing key risk areas:
  - corruption, fraud and integrity
  - probity in projects and procurements
  - elected member conduct and conflict of interests
- Provide assurance through independent audit and review (third line defense)
- Focus and improve assurance services’ resourcing, capability and skills.

Strategic Objectives


2. Strengthen and lift culture and capability - balance reactive and proactive/preventative activities

3. Make the most of expertise and resources - implement ways of working to deliver probity, integrity, audit and elected member support – optimise use of external resources for additional investigation and specialist advisor work.

4. Maintain and build visibility, trust and confidence in the team and council - transparency and proactive reporting

5. Maximise efficiency in detection and response and enable continuous improvement across Council through expanded use of data analytics

6. Build strong alignment, close collaboration and coordination with Risk and Insurance, Health, Safety and Wellbeing, Financial Control, Te Waka Angamua, and Privacy/GOIMA
### Prevent corruption, fraud, dishonesty and bad practice

| Our Charter: Speak Up awareness and understanding – culture |
| Independent Advice: independent expert advice and support to help everyone do the right thing |
| Advising, coaching and mentoring senior leadership |
| Advising on systems and processes change and improvements |
| Independent monitoring and review of business performance and risks |
| Education and capability building of staff and elected members e-learning workshops – staff onboarding and induction, awareness communications and engagements |

<table>
<thead>
<tr>
<th>Respond to Risk/Issue</th>
<th>Core Programme Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPEAK UP Framework – Confidential support, investigation and advice. Collaborate and support all channels</td>
<td></td>
</tr>
<tr>
<td>Independent 0800 assurance line and email for public, staff, elected members and contractors</td>
<td></td>
</tr>
<tr>
<td>Elected members – Advice and sensitive investigations, incl code of conduct, conflict of interests, complaints and investigations</td>
<td></td>
</tr>
<tr>
<td>Proximity advice and decision-making process support, procurements and projects</td>
<td></td>
</tr>
<tr>
<td>Data analytics in investigations and reviews</td>
<td></td>
</tr>
</tbody>
</table>

### Priorities – Year 1 (2019-2020)

**Embed and resource Assurance Services realignment – multi discipline approach**
- Communications - Raise visibility and establish clear brand
- Stakeholder engagement - ELT and senior leaders - build and maintain collaborative relationships - understand priorities, risks and issues, immediate needs and opportunities
- Build professional capability in assurance team and confirm resources to deliver assurance strategy
- Use every assurance team interaction to enable an outcome for Auckland in line with Our Strategy

**Pilot departmental “assurance checkpoint” approach - Partner with high risk operational areas (IES, AIIMS, ACE) to identify needs and deliver tailored support – education, process audit, probity, integrity - whole team approach**

**Embed Speak Up – Joint leadership with P&G. Establish and embed framework and council group processes, raise awareness and improve experience - improve cross speak up channel coordination and collaboration**

**Support Electors members post-election induction and Kura Kawana professional development programmes – educate and build trust and confidence with new council and local board members, manage conflicts of interest. Re-establish a high performing Audit and Risk Committee after election.**

**Oversight and advice to Our Strategy game change programmes and change initiatives: simplification, customer 360, connecting with communities, organisation for the future**

**Roll out e-learning and refine training and capability workshops - maximise efficiency and value**

**Plan systems and process improvements – simplify, easier for staff**

**Develop and implement whole of assurance services response approach – risk assessment, resources, respond/resolve.**

**Expand awareness of Independent 0800 phone line and integrity channel - promote use by all council group staff, elected members and public**

**Speak Up – Document processes and protocols - risks and responsibilities.**

**Develop data assurance strategy effectively and efficiently use data to identify and manage risk and improve organisational performance**

**Data analytics**
- Research best practice and emerging opportunities
- Identify all data currently available and opportunities to use for assurance activity
- Work with key business groups to develop tools and systems – fleet, procurement, finance

**Implement systems and process improvements Conflicts of interests, Arire etal**

**Develop way we work - coordinated, risk focused, tailored services that draw on all the assurance disciplines – integrity, audit, probity, elected member advice. Triage work, be responsive in terms of investigation, learnings from Speak Up, probe reviews and audit and always use our experience to facilitate learnings for the whole organisation**

**Proximity – proactively plan and prioritise support of projects and procurements based on risk and strategic priority – engage end to end to ensure robust, transparent and fair processes and decisions**

**Audit**
- Deliver assurance plan – prioritise audits of core business processes to provide assurance on high risk business processes – technology/systems, people, financial - Performance data
- Implement rolling audit plan methodology. Align and coordinate work to Risk Deep Dive programme.
- Refresh audit methodology to support faster, value add, maximise learning for the business

**Integrity**
- Publish gift register on Auckland Council website
- Expand staff anniversary interest declaration and integrity trial to all staff

**Elected members**
- Election induction - Support new council elected member transition and onboarding.

**Improve and enhance combined reporting incl to Audit and Risk Committee – timely, effective, quality advice**
**Audit and Risk Committee**
15 September 2020

### PRIORITYs – Year 2 (2020-2021)

| Integration of assurance services processes/documentation into existing business processes e.g. Conflicts of interests, Aniba, Assurance Surveys |

- Maintain and lift Assurance Services profile and reputation across the organisation and outside stakeholders e.g. Office of the Auditor General, Serious Fraud Office, Police.
- Expand departmental assurance check approach for all departments
- Review and refresh training and capability activities to focus and maximise impact of education and training offerings
- Develop training and capability toolkit to be used with high risk areas of business

- Review and risk/issue response process and resourcing
- Survey departments / key stakeholders – customer experience and outcomes
- Complete Fraud survey – gap analysis to inform assurance and strategy
- Empower departments to do the right thing – Improve guidelines, FAQ’s, checklists and tools for key stakeholders on probity, conflicts of interest, fraud etc

- Improve visibility of what we do – Kotahi page, annual communications plan to maintain awareness and understanding
- Monitor and assess ongoing processes including work anniversary declarations
- Review and develop strategic assurance services plan in collaboration with executive leadership team – help address top risks, business needs, strategic objectives

### PRIORITYs - Year 3 (2021 – 2022)

| Review resourcing and methodology for issue response and investigations |
| Expand Data analytics programme |
| Assurance workprogrammes integrated risk, health and safety departments – highly collaborative and aligned |
| Agile Audit programme and methodology implemented |
| Audits of all core business processes completed |
| Maintaining fraud and risk oversight maintained through formalised engagement with senior leadership teams |

- Maintain high degree of recognition, trust, and visibility – leaders in excellence in assurance - external and internal
- Review and refine prevention programme
- Broaden probity advice to all business processes
- Develop organizational capability development strategy for assurance matters
- All staff and contractors attend ethical and integrity awareness training

**Attachment A**

**Item 12**
**Attachment B Assurance Services – Audit Plan 2020/2021**

This plan details the programme of audits, reviews and monitoring to be completed by Assurance Services. The objective of the programme is to complete audits to test core functions and controls of high-risk processes and provide independent reviews and assurance for top risks, significant procurements, other decision making and processes. The rolling plan is reviewed quarterly by Assurance Services and updates reported to the Audit and Risk Committee.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Scope</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Controls Framework</td>
<td>• Continuation of COVID Assurance Program, focusing on assurance with respect to operation of core of key internal control as approved by the Audit and Risk Committee on April 14 2020.</td>
<td>Fieldwork and Reporting - ongoing</td>
</tr>
<tr>
<td>Audits in progress / planned for completion by December 2020</td>
<td>Health and Safety • Health Check on readiness for ACC Audit (which is scheduled for February 2021)</td>
<td>Fieldwork</td>
</tr>
<tr>
<td></td>
<td>Business Continuity Planning • Testing of key risk mitigations as identified by Risk – to provide assurance mitigations operating as planned.</td>
<td>Planning</td>
</tr>
<tr>
<td></td>
<td>Asset Management Planning • Health Check of Asset Management Plans that support financial projections, service levels and performance framework in the LTP – prior to 2021-31 LTP audit</td>
<td>Fieldwork</td>
</tr>
<tr>
<td></td>
<td>Maori Outcomes Framework • Review of design of systems and controls that will be used to support Maori Outcomes performance measures in the 2021-31 LTP</td>
<td>Fieldwork</td>
</tr>
<tr>
<td>Audits between January and June 2021</td>
<td>Treasury • Treasury operations audit – review and testing of controls • Assess compliance with relevant legislation, policy and procedures • Assess both design and effectiveness of internal controls and assess whether those controls are operating as intended. • Assess whether treasury transactions are recorded completely, accurately and are being reported in a timely manner • Follow up on the status of recommendations arising out of the 2019 internal audit.</td>
<td>Quarter 3</td>
</tr>
<tr>
<td></td>
<td>Payroll • Assess both design and effectiveness of internal controls and assess whether those controls are operating as intended.</td>
<td>Quarter 3</td>
</tr>
<tr>
<td></td>
<td>Physical Security • Review of physical security re Auckland Council buildings.</td>
<td>Quarter 4</td>
</tr>
<tr>
<td>Topic</td>
<td>Scope</td>
<td>Status</td>
</tr>
<tr>
<td>--------------------------------------------</td>
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</tr>
<tr>
<td>Regulatory Operational Processes</td>
<td>• Review of Regulatory process e.g. swimming pool inspections</td>
<td>Quarter 4</td>
</tr>
<tr>
<td>Ongoing oversight, review and monitoring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Probity</td>
<td>• Support significant procurements – proactive risk-based approach.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Maori Outcomes Framework</td>
<td>• Member of Waharoa and six-monthly reporting to Audit and Risk Committee.</td>
<td>Ongoing. Reporting to this Committee on a six monthly basis.</td>
</tr>
<tr>
<td>Voluntary Targeted Rates</td>
<td>• Independent Quality Assurance over Retrofit Your Homes Remediation Project</td>
<td>Fieldwork</td>
</tr>
<tr>
<td>Consenting</td>
<td>• Quality Assurance over consenting for the 2021 annual audit process – scope to be determined</td>
<td>Planned</td>
</tr>
<tr>
<td>Top Risk controls and Risk Deep Dives follow ups</td>
<td>• Coordinate review with Risk and Insurance Department to test critical controls of top risk areas identified in deep-dive reviews.</td>
<td>Currently working with Risk team to coordinate and share findings and develop approach</td>
</tr>
</tbody>
</table>
Auckland Council Assurance Services Charter

Purpose of the Charter

This charter confirms the purpose, independence, mandate, scope and accountabilities of the Assurance Services department (the department). The department comprises three business units – Audit and Probity, Integrity, and Governance Advice. The charter clarifies the department’s relationship with Risk Services and the external audit function.

Objective of Internal Audit

The purpose of the department is to provide independent assurance and advisory services that:

- provide assurance to the Audit and Risk Committee, and the CEO that the financial and operational controls designed to manage the Council’s risks and achieve council’s objectives are operating in an efficient, effective and ethical manner;
- assist and enable management to improve the Council’s business performance; and
- assist and enable Elected Members and staff to “do the right thing”.

Independence of Function

Independence is essential to the effectiveness of the department...

The department has no direct authority or responsibility for the activities it reviews. The department has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in line processing functions or activities.

The department reports functionally to the Audit and Risk Committee. The Head of Assurance Services is accountable to the Chief Executive, through the Director Governance, for the efficient and effective operation of the department.

The Head of Assurance Services has direct access to the Chair of the Audit and Risk Committee, members of the Audit and Risk Committee, the Chief Executive, and the Chief Financial Officer. The Head of Assurance Services can request meetings with the Audit and Risk Committee, without members of management in attendance. At a minimum such meetings will be held at least annually.

Mandate

The department is authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Head of Assurance Services considers necessary to enable the department to meet its responsibilities. This is a wide power and the Head of Assurance Services recognises and acknowledges that this authority is to be exercised judiciously and with discretion.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Assurance Services and individual assurance services staff are responsible and accountable for
maintaining the confidentiality of the information they receive during the course of their work.

Scope of Assurance Services

The scope of the departments work encompasses all of Auckland Council’s activities, projects and programmes of work. It includes an overview of the activities, and risk management and assurance frameworks of Council Controlled Organisations.

Specifically, it includes:

- Financial assurance.
- Information Systems Assurance.
- Operational Effectiveness and Efficiency reviews.
- Independent Quality Assurance over Projects.
- Probity over projects, procurement and contract management.
- Legislative compliance.
- Fraud, Integrity and Ethics, and
- Sensitive expenditure and Conflicts of Interests.

In addition to the planned work programme, the department provide specialist assurance to the CEO and ELT on an “as requested” basis.

Council Controlled Activities

Council has five substantive Council Controlled Organisations (CCO’s):

- Watercare Services Limited.
- Auckland Transport.
- Regional Facilities Auckland
- Auckland Tourism, Events and Economic Development Limited, and
- Panuku Development Auckland.

Watercare Limited and Auckland Transport have their own risk and internal audit functions. A Service Level Agreement is in place with the remaining three CCO’s for the department to provide Assurance Services.

Irrespective of the fact that Watercare Limited and Auckland Transport Limited have Internal Audit functions in place, the department has a responsibility to provide obtain an overview of the Enterprise Risk Management and Assurance programme for each CCO – so as to be in a position to provide independent assurance to the Auckland Council Audit and Risk Committee for all CCO’s that risk management and key mitigating strategies are appropriate, and that mitigating strategies are being effectively implemented.

Relationship with Risk

The work of the department complements the Risk function.
In summary, Assurance Services provides independent assurance that risk mitigating strategies formulated as part of the Enterprise Risk Management framework are appropriate and are in fact being implemented effectively. Results of Internal Audit work are used to inform that framework.

Standards

All activity will be conducted in accordance with the Institute of Internal Audit (IIA) – International Professional Practices Framework.

In the conduct of that work staff will:
- comply with relevant professional standards of conduct.
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties.
- be skilled in dealing with people and communicating audit, risk management and related issues effectively.
- ensure their technical competence through a programme of professional development, and
- exercise due professional care and scepticism in performing their duties.

With respect to engagements performed by external consultants and contractors, the Head of Assurance Services is responsible for planning, execution and reporting of such work. The Head of Assurance Services is responsible for ensuring all such work complies with the IIA – International Professional Practices Framework.

Relationship with External Audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Regular meetings and contact between internal and external audit shall be held to discuss matters of mutual interest.

External audit will have full and free access to all internal audit plans, working papers and reports. It is at External Audits sole discretion as to whether they choose to rely on the work of internal audit when performing the external audit of Council’s Annual Report, interim financial statements or any other engagement.

Planning

The Head of Assurance Services will prepare, for the Audit and Risk Committee’s consideration, an Assurance strategic plan and an annual Assurance - internal audit plan in a form agreed with the Committee.
Reporting

The Head of Assurance Services will report to the Audit and Risk Committee on:

- the committee's forward work programme.
- audits completed and key issues arising.
- progress in implementing the strategic business plan and audit work plan.
- the status of the implementation of agreed internal and external audit, and other relevant external body recommendations.
- any emerging trends with respect to matters of internal control that the Audit and Risk Committee should be informed of; and
- any other information that the Audit and Risk Committee requests.

The Head of Assurance Services is accountable to the Chief Executive (through the Director of Governance) and the Audit and Risk Committee for the achievement of the Assurance Services Key Performance Indicators approved as part of the Assurance Annual Business Plan.

Review of the Charter

This charter will be reviewed at least annually by the Audit and Risk Committee. Any substantive changes will be formally approved by Audit and Risk Committee.
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:

<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>
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<tr>
<td></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>
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<tr>
<td></td>
<td>In particular, the report contains financial and operational information and details of audit findings which, if released, may jeopardise the commercial operations of the council-controlled organisations.</td>
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<tr>
<td></td>
<td>The report also contains risk reporting and detailed top risks reported confidentially to the council-controlled organisation's boards or Audit and Risk Committees. The council-controlled organisations have provided their risk report for Auckland Council's Audit and Risk Committee subject to confidentiality.</td>
<td></td>
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</tbody>
</table>
### C2 CONFIDENTIAL: Draft Annual Green Bond Report 2020

<table>
<thead>
<tr>
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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 which may only be made public following its release to the NZX.</td>
<td>s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
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<td>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains financial information which may only be made public following its release to the NZX.</td>
<td>s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
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</table>

### C4 CONFIDENTIAL: Assurance Services Activity Update

<table>
<thead>
<tr>
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<td>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
<td>s7(2)(c)(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 which if released would jeopardise the effective delivery of the Assurance Services work programme.</td>
<td>s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
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</tbody>
</table>
C5 CONFIDENTIAL: Office of the Auditor-General and Audit New Zealand briefing

<table>
<thead>
<tr>
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<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. 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>