

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

**Date:** Monday, 20 February 2023  
**Time:** 2.00pm  
**Meeting Room:** Council Chamber  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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**Kōmiti Tātari me te Mātai Raru Tūpono /  
Audit and Risk Committee**

**OPEN AGENDA**

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**MEMBERSHIP**

<b>Chairperson</b>	Bruce Robertson
<b>Deputy Chairperson</b>	Cr Lotu Fuli
<b>Members</b>	Paul Connell Cassandra Crowley Cr Julie Fairey Cr Christine Fletcher, QSO Cr Shane Henderson Martin Matthews
<b>Ex-officio</b>	Mayor Wayne Brown IMSB Member Tony Kake, MNZM Deputy Mayor Cr Desley Simpson, JP

(Quorum 3 members)

**Mike Giddey**  
**Kaitohutohu Mana Whakahaere / Governance  
Advisor**

**15 February 2023**

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**1 Ngā Tamōtanga | Apologies**

An apology from Mayor W Brown has been received.

**2 Te Whakapuaki i te Whai Pānga | Declaration of Interest**

**3 Te Whakaū i ngā Āmiki | Confirmation of Minutes**

Click the meeting date below to access the minutes.

That the Audit and Risk Committee:

- a) confirm the ordinary minutes of its meeting, held on Monday, [12 December 2022](#) and the extraordinary minutes of its meeting, held on Tuesday, [14 February 2023](#), including the confidential sections, as true and correct records.

**4 Ngā Petihana | Petitions**

**5 Ngā Kōrero a te Marea | Public Input**

**6 Ngā Kōrero a te Poari ā-Rohe Pātata | Local Board Input**

**7 Ngā Pakihi Autaia | Extraordinary Business**



## Forward Work Programme February 2023

File No.: CP2023/00077

### Te take mō te pūrongo

#### Purpose of the report

1. To review and approve the remaining elements of the Audit and Risk Committee's three-year forward work programme 2022 - 2023 (Attachment A).

### Whakarāpopototanga matua

#### Executive summary

2. In accordance with best practice, the committee reviews the forward work programme at each meeting to ensure it can be adapted to changes in Auckland Council's risk profile and that it remains relevant for the committee.
3. The following changes have been made to the forward work programme:
  - the Audit New Zealand Audit Engagement and Audit Proposal letters for 2023, 2024 and 2025, originally planned for December 2022 will be presented at this meeting
  - the 30 June 2023 Arrangements (Audit New Zealand audit plan), originally planned for December 2022 will be presented at this meeting
  - the workshop item called 'Māori principles' taking place prior to this meeting is now called 'Māori outcomes overview'
  - the LTP Project Update scheduled for this meeting has been delayed and moved to the May 2023 meeting of this committee
  - the Indicative Insurance Renewal report scheduled for May 2023 will now take place in the August 2023 meeting of this committee
  - an additional insurance activities update has been added for May 2023 meeting in light of the recent flood event
  - a Group Risk Kōrero will take place in the workshop prior to the May 2023 Audit and Risk Committee meeting.

### Ngā tūtohunga


#### Recommendation/s

That the Audit and Risk Committee:

- a) whakaae / approve the Audit and Risk Committee forward work programme, noting that:
  - i) the Audit New Zealand Audit Engagement and Audit Proposal letters for 2023, 2024 and 2025, originally planned for December 2022 will be presented at this meeting
  - ii) the 30 June 2023 Arrangements (Audit New Zealand audit plan), originally planned for December 2022 will be presented at this meeting
  - iii) the workshop item called 'Māori principles' taking place prior to this meeting is now called 'Māori outcomes overview'
  - iv) the LTP Project Update scheduled for this meeting has been delayed and moved to the May 2023 meeting of this committee
  - v) the Indicative insurance renewal report scheduled for May 2023 will now take place in the August 2023 meeting of this committee

- vi) an additional insurance activities update has been added for May 2023 meeting in light of the recent flood event
- vii) a Group Risk Kōrero will take place in the workshop prior to the May 2023 meeting of this committee.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Forward Work Programme 2022 - 2023	

## Ngā kaihaina Signatories

Author	Simon Stewart - Senior Risk Advisor
Authorisers	Emma Burke - General Manager Risk and Assurance Phil Wilson - Director, Governance & CCO Partnerships



## Treaty Audit monitoring update

File No.: CP2023/00223

### Te take mō te pūrongo Purpose of the report

1. This monitoring report covers the period from September 2022 to January 2023 and provides an update on:
  - The recommendations contained in Te Tiriti o Waitangi Audits (treaty audits) of Auckland Council which are commissioned by the Independent Māori Statutory Board every three years.
  - The Treaty Audit Response Programme 2021-2024 (Attachment A) which has been developed by Nga Mātārae on behalf of the chief executive and received by the Joint Governing Body and Independent Māori Statutory Board in response to the recommendations contained in He Waka Kōtuia / Te Tiriti o Waitangi 2021.

### Whakarāpopototanga matua Executive summary

2. Three recommendations from the 2021 treaty audit report have been closed since the August 2022 report to the Audit and Risk Committee.
3. There are a total of 15 open treaty audit recommendations:
  - Four relating to the pre-2021 treaty audits and remain overdue.
  - Two relating to the 2021 treaty audit report and are on track.
  - Nine relating to the 2021 treaty audit report with a status of “Overdue / Delayed”.
4. The responsibilities relating to the treaty audit recommendations were transferred from the Waharoa group to the newly formed Enablement Board during October 2022, where three of the 2021 treaty audit recommendations were closed at the inaugural meeting of the joint KOTM Delivery and Enablement Boards.
5. The Treaty Audit Response Work Programme 2021-24 (Attachment A):
  - will continue to be used as the basis to monitor progress in implementing the remaining and new recommendations from all treaty audits
  - informs reporting to this committee over the next three years.

### Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) whiwhi / receive the update on the monitoring and progress of the Treaty Audit Response Programme 2021-24
- b) tuhi ā-taipitopito / note that the Risk and Assurance department will continue to report on a six-monthly basis on progress against the Treaty Audit Response Programme 2021-24 to this committee.

## Horopaki Context

Item 9

6. The Independent Māori Statutory Board's treaty audits sets out a framework for assessing Auckland Council's performance against Auckland Council's statutory responsibilities and requirements relating to Te Tiriti o Waitangi and to Māori.
7. The third treaty audit was completed and received by the Finance and Performance Committee in July 2018, and by the Audit and Risk Committee in September 2018. It identified a total of 80 recommendations, of which 76 have now been closed.
8. He Waka Kōtuia – Te Tiriti o Waitangi Audit 2021 was the fourth treaty audit to be undertaken by the Independent Māori Statutory Board.
9. The Enablement Board provides oversight of the Treaty Audit Response Programme, including monitoring and guidance to action owners and their executives, and agrees closure of recommendations. The Enablement Board has representatives from the Risk and Assurance department, Nga Mātārae and the Independent Māori Statutory Board Secretariat attending meetings.
10. The Treaty Audit Response Programme 2021-2024 (Attachment A) is the basis for the Risk and Assurance department's monitoring and reporting to this committee.

## Tātaritanga me ngā tohutohu Analysis and advice

11. Thirteen recommendations were identified in the 2021 treaty audit, building on previous audit findings.
12. The current status of treaty audit recommendations is as follows. Refer to Attachment A for further details:

<b>Original (pre-2021) recommendations needing action</b>	<b>80</b>
Closed prior February 2022	(76)
Closed August 2022 – January 2023	--
Open as at January 2023 (overdue)	4

<b>Fourth treaty audit (2021) recommendations</b>	<b>14</b>
Closed since report was issued 11 August 2021	(3)
Open as at January 2023	11
Overdue as at January 2023	9

13. The (former) Waharoa group held a meeting on 6 October 2022 to agree on the formal process for the proper transfer of responsibilities relating to the treaty audit recommendations to the newly formed Enablement Board. This was approved as part of the broader new approach for Māori Outcomes governance structure and part of the Enablement Board meetings agenda.
14. Three treaty audit recommendations were closed at the Enablement Board meeting on 17 October 2022. There was acknowledgment that implementation of the treaty audit recommendation should be prioritised in 2023, to the extent staff capacity allows.
15. Explanations for the nine overdue/delayed recommendations are detailed in Attachment A.

## **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

16. There are no impacts on climate from this report. However, the Māori Outcomes Framework is based on wellbeing and includes environmental wellbeing.

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

17. The Treaty Audit Response Programme work enables the Auckland Council group to strengthen responsiveness to Māori through targeted actions and improvements described in Auckland Council's Māori Outcomes Framework. The Māori Outcomes Framework is intended to provide clarity and guidance to the Auckland Council group.

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

18. The views of local boards have not been sought in relation to this report.

## **Tauākī whakaaweawe Māori** **Māori impact statement**

19. The closure of treaty audit findings through the Treaty Audit Response Programme will have a positive impact on Māori as it leads to stronger responsiveness to Māori through targeted actions and improvements described in the Māori Outcomes Framework. For example: Recommendation 1.1 and 2.1 (See Attachment A) will improve Kia ora te hononga – Effective Māori participation. Recommendation 4.2 will improve amongst others, the following Māori Outcomes: Kia ora te umanga – Māori business, tourism, and employment; Kia ora te reo – Te reo Māori and Kia ora te ahurea – Māori identity and culture.

## **Ngā ritenga ā-pūtea** **Financial implications**

20. The committee is not being asked to make a decision with financial implications.

## **Ngā raru tūpono me ngā whakamaurutanga** **Risks and mitigations**

21. Key risks to achieving completion of the Treaty Audit Response Programme are:
- lack of resources and capability remain constraints
  - lack of a mechanism to confirm and close historical recommendations that are no longer relevant.
22. Key mitigations of these risks include:
- setting clear roles and responsibilities for action owners and action sponsors, and receiving regular follow-ups from them
  - support and guidance by Nga Mātārae
  - oversight and support by the Enablement Board
  - six-monthly reporting on progress to this committee.


## **Ngā koringa ā-muri** **Next steps**

23. The Risk and Assurance department will continue to attend Enablement Board meetings to encourage progress towards implementation of the recommendations in the Treaty Audit Response Programme 2021 – 2024 and to monitor progress.

24. The Risk and Assurance department will report to this committee in accordance with this committee's forward work programme.

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## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Treaty Audit Response Work Programme 2021-2024	

## Ngā kaihaina Signatories

Author	Andre de wet - Senior Risk Advisor
Authorisers	Emma Burke - General Manager Risk and Assurance Phil Wilson - Director, Governance & CCO Partnerships

## Health, Safety, and Wellbeing Performance Report

File No.: CP2023/00630

Item 10

### Te take mō te pūrongo

#### Purpose of the report

1. To provide an update on initiatives underway to improve health, safety, and wellbeing, and the current state of selected key performance indicators covering the period from December 2021 to January 2023.

### Whakarāpopototanga matua

#### Executive summary

2. This is a standard report provided to the Audit and Risk Committee to enable members to understand and make recommendations relating to the management of health, safety, and wellbeing risk at Auckland Council.
3. There are several projects and initiatives underway across the council to improve the health, safety, and wellbeing of kaimahi (staff), and to deliver on the recommendations of the hauora (wellbeing) review. These are broadly on track and progressing well.
4. Key performance indicators are provided in Attachment A, covering the period from December 2021 through to January 2023. This report provides further analysis and commentary on these key indicators for the committee's information.

### Ngā tūtohunga

#### Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the information in this reporting and associated health, safety, and wellbeing indicators
- b) whakaae / agree to refer this report to the Governing Body, along with any commentary the committee deems appropriate, and recommend that the Governing Body forwards this report to local boards for their information.

### Horopaki

#### Context

5. This report provides commentary and a range of health, safety, and wellbeing performance indicators to enable the committee to provide objective advice and allow Auckland Council's officers (as defined within the Health and Safety at Work Act 2015) to exercise due diligence obligations.
6. Recommendations on the adequacy and functioning of the council's health, safety, and wellbeing risk management system and associated programmes are subsequently shared with the Governing Body. Health, safety, and wellbeing key performance indicators are in Attachment A.

## Tātaritanga me ngā tohutohu Analysis and advice

### Project Hira

7. Project Hira is the work programme underway to improve Auckland Council's management of health, safety, and wellbeing through the replacement of Risk Manager (an online health and safety reporting and management tool). This programme includes the procurement and platform configuration, alongside change management, process improvement, people leader training, and an awareness campaign.
8. The previous system, Risk Manager, was successfully decommissioned at the end of 2022 with any outstanding incidents resolved and all data captured for internal record-keeping. All incidents, actions, and findings are now managed using the new system (Donesafe) which was successfully launched in September 2022.
9. A 'risk management' module has been released within Donesafe, with a master risk register established. This will be populated with minimum control requirements, allowing for further work to be undertaken to establish risk registers for sites and activities across Auckland Council.
10. Further development work is currently being undertaken to design and configure remaining modules for the management of hazardous substances, contractor health and safety, and injury management.

### Wellbeing

11. Work is continuing to address remaining recommendations from the 2021 Hauora (Wellbeing) Review, with a particular focus on the provision of pastoral care into high-risk teams. A pilot has been completed utilising an external resource, which has resulted in the identification of several personal wellbeing concerns and a proactive response to each. Permanent pastoral care roles will be established over the next quarter to establish a more flexible and ongoing permanent resource for kaimahi.
12. Preparations are underway to establish a peer-to-peer support network across the organisation to provide a front-line response option to identify wellbeing concerns and provide immediate support for kaimahi with mental health or wellbeing needs.

### Critical Risk Management

13. An ongoing programme of work to improve the management of critical risks (those risks that have the potential to cause fatalities or life-altering injuries) is continuing. Several risk workshops have now been completed, with risks associated with driving and working around traffic assessed and minimum control requirements identified.
14. Draft risk standards relating to assessed risks have been created, with consultation on those standards now underway with affected teams. Once approved, these standards will be used to undertake a gap analysis against critical controls to inform improvement plans for implementation.

### Violence and Aggression

15. The health, safety, and wellbeing function has continued to work with high-risk teams to implement action plans that were developed from the output of a number of workshops that were undertaken with a wide range of kaimahi and their leaders. These actions focus on the design of tasks, or situations, which contribute to the escalation of aggressive behaviours.
16. 29 of the 89 agreed actions have been completed, with a further 18 in progress. Of the 42 that have not commenced, many require other work to be completed first or need additional resourcing.

17. Kaimahi continue to experience increased violence and aggression while working with, or in, the community with 149 incidents of aggressive behaviour or violence reported within December 2022 and January 2023. While the majority of these are low-severity, there has been some more serious events including the stabbing of a contractor undertaking a playground inspection. While the contractor has recovered, this highlights an increase in the seriousness of the issue.

## **Worker Engagement, Participation, and Representation**

18. Auckland Council has been engaging with a number of elected Health and Safety Representatives (HSR's) from across the organisation, along with support from WorkSafe New Zealand, to improve the engagement and participation of kaimahi and their leaders in health and safety.
19. Several programmes of work have been launched, focussing on building the understanding and capability of people leaders, improving the number and distribution of representatives, increasing communication within the HSR community, and recognising and celebrating those things that are working well.

## **ACC Accredited Employer Programme**

20. ACC has confirmed that Auckland Council has achieved tertiary accreditation within the accredited employer programme (AEP). This is the highest level of accreditation available and is based on a high level of conformance with audit standards and the performance of Auckland Council's injury management processes.
21. The next audit of Auckland Council's health and safety management systems and injury management performance will be undertaken in late 2023.

## **Incident Commentary**

22. Incident numbers following the introduction of Donesafe continue to be higher than the previous average, with approximately 500 incidents being reported every month against the previous average of 370. Between 80-90% of incidents over the past 3 months have been reported within 24 hours of occurrence.
23. As with previous months, violence and aggression continues to be the primary risk-type involved in incidents, with 149 incidents reported between December 2022 and January 2023.
24. As part of Project Hīra, there has been a focus placed on corrective actions that are generated as part of the review and learning process post-incident. With an increase in corrective actions generated as a result, the number of actions overdue has increased with 43% of actions created now overdue. As corrective action completion is a critical control step for risks, further guidance is being prepared for leaders, with an increase in transparency and awareness of overdue actions becoming a priority for HSW teams across Auckland Council.

## **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

25. Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan acknowledges that if we do not take care of the environment, we are not taking care of our own health and wellbeing. While there are no climate impacts specifically arising from this performance report, the services the council provides, and related health, safety, and wellbeing risk controls will have varying climate impacts that need to be considered on a case-by-case basis.



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

26. This report is based on Auckland Council organisation activities only and does not provide a group-wide view.
27. Health, safety, and wellbeing functions across the council group collaborate on shared issues and meet regularly to discuss alignment and opportunities to work together on common improvement opportunities.

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

28. Like Governing Body members, local board members are 'officers' under the Health and Safety at Work Act 2015 and must exercise a duty of due diligence in a way that reflects the nature and responsibility of their role.
29. It is recommended that this report is referred to the Governing Body and (as with previous health, safety, and wellbeing reports) that the Governing Body then forwards the report to local boards for their information.

## Tauākī whakaaweawe Māori Māori impact statement

30. While this performance report does not have specific impacts on Māori, staff acknowledge the importance of taking a holistic, Kaupapa Māori approach to health and wellbeing.
31. In particular, the hauora programme arising from the hauora (wellbeing) review is utilising a kaupapa Māori approach, that reflects kaupapa Māori values and interventions. The council's wellbeing programme, Te Papa Hauora, is based on 'Te Whare Tapa Whā' a holistic Māori health model. This model acknowledges the different elements needed to sustain hauora, including wairua (spiritual), hinengaro (mental and emotional), tinana (physical), whānau (family and social), and whenua (land and roots).

## Ngā ritenga ā-pūtea Financial implications

32. The work in this report is being managed within current budgets, and there are no additional financial implications to report.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations


33. 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

34. Following the 20 February 2023 Audit and Risk Committee meeting, it is recommended that this report be referred to the Governing Body for its information. It is also recommended that the Governing Body forwards this report to local boards for their information.



## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Health, Safety, and Wellbeing Performance Dashboard	

## Ngā kaihaina Signatories

Author	Paul Robertson – General Manager Health Safety and Wellbeing
Authorisers	Richard Jarrett - Director Group Services Phil Wilson - Director, Governance & CCO Partnerships



# Approval of the draft Audit New Zealand audit plan for the year ended 30 June 2023

File No.: CP2023/00323

## Te take mō te pūrongo

### Purpose of the report

1. To approve the draft Audit New Zealand audit plan for their audit of the Auckland Council Group's 30 June 2023 annual report.

## Whakarāpopototanga matua

### Executive summary

2. Audit New Zealand has provided the draft audit plan for their audit of the council's 30 June 2023 annual report for the council's approval (Attachment A). The group financial controller has reviewed the draft letter, provided feedback and Audit New Zealand has made all requested amendments.
3. The draft audit plan outlines key audit matters, the areas of audit focus, significant business and reporting risks and administration matters such as logistics and timetables.
4. The audit plan is provided in draft and is required to be approved by the Audit and Risk Committee before Audit New Zealand issues the final audit plan.
5. Deputy Auditor-General Greg Schollum, Audit New Zealand Director Athol Graham and OAG Sector Manager David Taylor will be in attendance to discuss the proposed key audit matters and answer any questions the committee may have.

## Ngā tūtohunga

### Recommendation/s

That the Audit and Risk Committee:

- a) arotake / review and whakaae / approve the draft audit plan for the audit of the 30 June 2023 annual report (Attachment A)
- b) tono / request Audit New Zealand to issue the final audit plan.

## Horopaki

### Context

6. The audit plan outlines how Audit New Zealand will conduct their audit to obtain reasonable assurance that the 30 June 2023 financial statements and performance information are free from material misstatement resulting from error, omission, or fraud.
7. The draft audit plan outlines the following:
  - key audit matters
  - Audit New Zealand's response to accounting, business, and service performance risks
  - the audit process
  - reporting protocols, logistics and timelines.

8. As Auckland Council is an issuer of bonds on the New Zealand, Swiss and Singapore exchanges, the audit opinion on the group annual report is required to include the auditor's comments of key audit matters. Key audit matters are defined as those matters that, in the auditor's professional judgement, are of the most significance in the audit of the financial statements. The focus will be on:
- areas identified as involving significant risk or requiring significant auditor judgement
  - areas in which the auditor encountered significant difficulty during the audit, such as obtaining sufficient, appropriate audit evidence
  - circumstances that required significant modification of the auditor's planned approach, such as the identification of a significant deficiency in internal controls.

## Tātaritanga me ngā tohutohu Analysis and advice

9. The draft audit plan is largely unchanged from prior years, except for the quantification of materiality within the plan. For property, plant and equipment held at fair value the group materiality threshold will be \$5.1 billion, while for everything else the group materiality threshold will be \$102 million.
10. The draft audit plan outlines the following key audit matters:
- valuation of operational, restricted and infrastructure assets – consideration of significant changes in fair value which might require an independent valuation to be carried out. Classes of assets being revalued should be appropriately valued and related disclosures, such as the sensitivity of the valuation to changes in key assumptions, must comply with accounting standards.
  - valuation and disclosure of derivatives – derivatives should be appropriately valued, and fair value movements should be clearly explained in the financial statements.
  - valuation of the weathertightness and associated building defects provision are complex, subject to a high degree of judgement and estimation and there is inherent uncertainty in the quantum and value of unreported claims.
  - reporting performance on three waters, transport and housing in relation to population growth.
11. These key audit matters are consistent with the prior year with the exception that restricted assets have been added into the first key audit matter.
12. The draft audit plan also outlines other significant risks and areas of audit emphasis. Those denoted with an asterisk are new this year.

Business risk/issue	Audit response
<b>The risk of management override of internal controls</b>	<ul style="list-style-type: none"> <li>• Test appropriateness of journal entries</li> <li>• Review accounting estimates for bias</li> <li>• Evaluate unusual and one-off transactions</li> </ul>
<b>Valuation of investment properties</b>	<ul style="list-style-type: none"> <li>• Review valuations for reasonability, reliability and compliance with PBE IPSAS 16</li> </ul>
<b>City Rail Link project - additional cost claims for the impact of Covid-19*</b>	<ul style="list-style-type: none"> <li>• Liaise with City Rail Link Limited's auditors</li> <li>• Consider accounting and disclosure in the group financial statements</li> </ul>
<b>Artwork donations*</b>	<ul style="list-style-type: none"> <li>• Review the council's determination in relation to the contribution of the Julian Robertson artworks</li> </ul>

Business risk/issue	Audit response
	<ul style="list-style-type: none"> <li>Consider the appropriateness of the valuation of the artwork should it be determined that it should transfer to the Council</li> </ul>
<b>Service performance reporting</b>	<ul style="list-style-type: none"> <li>Review progress related to consenting</li> </ul>
<b>Legislative compliance</b>	<ul style="list-style-type: none"> <li>Assess compliance systems and processes.</li> <li>Enquire as to non-compliance and consider its effect, if any</li> <li>Review compliance with the Local Government (Rating) Act 2002, regional fuel tax legislation the Financial Markets Conduct Act and NZX rules</li> <li>Review disclosures for compliance with the Local Government Act, the Local Government (Financial Reporting and Prudence) Regulations 2014 and the Non-Financial Performance Measures Rules 2013</li> </ul>
<b>Accounting for assets</b>	<ul style="list-style-type: none"> <li>Review impairment assessment processes, and capitalisation policies and processes</li> <li>Review the Ports of Auckland's impairment assessment in relation to the automation project</li> </ul>
<b>Central government funding</b>	<ul style="list-style-type: none"> <li>Review impact of funding and financing decisions</li> <li>Consider appropriateness of accounting treatment</li> </ul>
<b>Legal risks</b>	<ul style="list-style-type: none"> <li>Review legal provisions taking into account estimates provided by external lawyers and the status of any significant litigation and judicial reviews</li> </ul>

- The emerging issues are the same as the prior year, being three waters reform and climate change.
- The plan highlights areas of interest across the local government sector. They include:

Are of interest	Considerations
<b>Fraud risk</b>	<ul style="list-style-type: none"> <li>How does management exercise its responsibilities</li> <li>Has a robust assessment been completed</li> <li>What assurance is there over internal controls to address fraud risk</li> <li>How has actual, suspected, or alleged fraud been dealt with</li> </ul>
<b>Group audit considerations</b>	<ul style="list-style-type: none"> <li>Consider the work done by entity auditors</li> <li>Consider the effect of any uncorrected misstatements and significant control deficiencies on the audit opinion</li> </ul>
<b>Prudent expenditure</b>	<ul style="list-style-type: none"> <li>Consider effectiveness and efficiency, waste, and a lack of probity or financial prudence in transactions.</li> </ul>

Are of interest	Considerations
Project and programme management, procurement, contract management	<ul style="list-style-type: none"> <li>Follow up on status of previous recommendations</li> <li>Consider how the council addresses emerging issues</li> </ul>

15. Material performance measures for Auckland Council relate to consenting, greenhouse gas emissions, new dwellings, Aucklanders' quality of life and marine and freshwater quality.
16. Material performance information measures at council-controlled organisations relate to:
  - water and wastewater: the compliance of drinking water with relevant standards, water loss, complaints in relation to water and wastewater, response times to urgent calls, water consumption, sewage overflows.
  - transport: peak period lane productivity, maintenance standards, cycle movements, numbers of fatalities and serious injuries, transport boardings, punctuality of public transport, customer satisfaction.
  - economic development: contribution to GDP by supporting or attracting major events.
17. The key audit matters, significant risks, other areas of audit emphasis and material measures have been reviewed by management and are considered appropriate. These matters are part of the council's business as usual, and no specific items need to be brought to your attention.
18. The audit plan contains the audit timings and delivery dates for information. The council is currently working with Audit New Zealand to finalise dates.

### **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

19. There is no impact arising directly from this report. However, climate change is an emerging issue identified by Audit New Zealand and reporting of the group's response to climate change risk will be disclosed in the 2022/2023 annual report.

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

20. The audit plan covers the audit of the Auckland Council Group as a whole. Accordingly, information relating to entities in the group are outlined in the audit plan and will be communicated to the relevant Auckland Council Group staff once issued in final.

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

21. This report is about the engagement of Audit New Zealand for the Auckland Council Group as a whole, with no direct impact at a local board level.

### **Tauākī whakaaweawe Māori** **Māori impact statement**

22. The report is about the engagement of Audit New Zealand for the Auckland Council Group as a whole, with no impact specific on Māori.

## Ngā ritenga ā-pūtea Financial implications

23. This paper is about the reporting of the financial performance of the Auckland Council Group. As such, there are no financial decisions required (noting the audit fee and disbursements are also being approved at this meeting), and there are no financial implications arising from this paper.


## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

24. No decisions beyond document approval and related delegations are sought from the committee and accordingly no risks need be considered.

## Ngā koringa ā-muri Next steps

25. Following the approval of the audit plan by this committee, we will request that Audit New Zealand issue the audit plan in final. Staff will also confirm and finalise the delivery timelines with Audit New Zealand to ensure a timely and efficient annual audit process.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Draft Audit Plan for 30 June 2023 annual report	

## Ngā kaihaina Signatories

Authors	Tracy Gers - Group Accounting & Reporting Manager Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Peter Gudsell - Group Chief Financial Officer Phil Wilson - Director, Governance & CCO Partnerships





## Endorsement of draft Audit New Zealand Audit Engagement letter for 2023, 2024 and 2025 and audit fees

File No.: CP2023/00343

Item 12

### Te take mō te pūrongo

#### Purpose of the report

1. To review and endorse the draft Audit New Zealand Audit Engagement Letter (engagement letter) for the audit of the Auckland Council Group and Auckland Council for the financial years ending 30 June 2023, 2024 and 2025 (Attachment A).
2. To review and endorse the audit fee proposal from Audit New Zealand for the audit of the Auckland Council Group and Auckland Council for the financial year ending 30 June 2023 (Attachment B).

### Whakarāpopototanga matua

#### Executive summary

3. Audit New Zealand has provided a draft engagement letter to the council's group financial controller and group treasurer, who have reviewed the draft letter and provided feedback. Audit New Zealand has made all requested amendments.
4. At the time of writing this report, the 2023 audit fee proposal had not yet been agreed with Audit New Zealand. If agreed before this meeting, the group financial controller will circulate the fee proposal to the Audit and Risk Committee, for the committee to endorse before Audit New Zealand issues the final letters for approval by the mayor and chief executive.
5. The Deputy Auditor-General Greg Schollum, Audit New Zealand Audit Directors Athol Graham and Karen MacKenzie, and OAG Sector Manager David Taylor will be in attendance to answer any questions the committee may have in relation to these letters.

#### Audit engagement letter

6. The audit engagement letter outlines the scope of the respective responsibilities of the Governing Body and the Deputy Auditor-General, significant components (i.e. group entities), independence matters and contents of reporting. It covers this and the following two financial years to 30 June 2025.

#### The audit fee proposal

7. The audit fee proposal had not been agreed at the time of writing this report. If agreed before this meeting, the group financial controller will circulate the fee proposal to the Audit and Risk Committee, for the committee to endorse before Audit New Zealand issues the final letters for approval by the mayor and chief executive. The group financial controller will present the audit fee proposal at the meeting.
8. The audit fee proposal letter contains the statutory basis for the audit and how audit fees are set, the entities covered by this proposal, team members and hours planned to be spent and proposed fees. It also usually covers three financial years, however due to the uncertain economic environment, Audit New Zealand has requested that it cover only one financial year, which management has accepted.

## Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) arotake / review and ohia / endorse Audit New Zealand's draft audit engagement letter and draft audit proposal letter
- b) tono / request Audit New Zealand issue the final letters
- c) whakaae / agree to recommend the mayor and chief executive sign the finalised letters.

## Horopaki Context

### Audit engagement and audit proposal letters

9. An audit engagement provides readers with a high level of assurance that the financial statements fairly reflect the group's financial position, performance and cash flows for the period.
10. The audit engagement letter sets out the terms of the audit engagement and outlines the objectives of an annual audit. The draft engagement letter is consistent with the one issued in 2019. The main change has been to include references to our respective responsibilities to prepare and audit the disclosures required by schedule 10 of the Local Government Act.
11. The audit proposal letter provides details on the audit fee budget for the financial year ending 30 June 2023 and outlines areas that may result in an increase in fees over and above budgeted fees.

## Tātāritanga me ngā tohutohu Analysis and advice

### Audit engagement letter

12. The audit engagement letter outlines, for the three financial years ending 30 June 2023, 2024 and 2025:
  - the terms of the audit engagement
  - the nature and limitations of the annual audit
  - the respective responsibilities of the Governing Body and the Deputy Auditor-General relating to the financial statements and performance information.
13. It outlines the objectives of the annual audit, being:
  - to provide an independent opinion on the group and the council's financial statements and performance information
  - to report on other matters relevant to the group and the council's financial and other management systems that come to the Deputy Auditor-General's attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).
14. The letter details the council's responsibility for the provision of timely, accurate and valid information and explanations, and the Deputy Auditor-General's responsibilities for reporting on the annual report, summary annual report and on internal control matters.

15. Significant entities which will require audits and reporting to the Deputy Auditor-General are:
  - Auckland Transport (AT)
  - Watercare Services Limited (Watercare)
  - Tātaki Auckland Unlimited Trust (TAUT).
16. As in prior years, Tātaki Auckland Unlimited Limited (TAUL) and Eke Panuku Development Auckland Limited (Eke Panuku) are not considered significant entities. Accordingly, the entities' auditors will not be required to provide assurance for the purposes of the Auckland Council Group audit.

### **Audit proposal letter**

17. The audit proposal letter usually provides information on:
  - audit fees
    - the statutory basis for the audit
    - how audit fees are set
    - assumptions relating to the fees
    - the proposed fees for the audit for the three financial years covered by the engagement letter. As noted above due to the uncertain economic environment, Audit New Zealand has requested that it cover only one financial year ending 30 June 2023, which management has accepted.
    - reasons for any changes to fees
    - what the Office of the Auditor-General (OAG) overhead charge covers
  - audit hours
    - hours Audit New Zealand and the Office of the Auditor-General plan to spend on the audit for the financial year ending 30 June 2023
    - reasons for any changes to hours
  - entities covered by this proposal, as previously mentioned in the audit engagement letter
  - key members of the audit team.
18. The letter usually lists examples of items that could potentially cause an increase in the proposed fees.
19. The group financial controller will present the proposed fee to the members at the meeting, subject to resolution of ongoing discussions.

### **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

20. Although climate change will be included within the annual report disclosures, there are immaterial climate impacts as a result of the audit engagement, being emissions from flights from Wellington for Office of the Auditor-General staff, taxis to and from the airport, printing and photocopying audit papers.

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

21. This report is about engagement of Audit New Zealand for the Auckland Council Group as a whole. Accordingly, the group impacts are outlined in the body of this document.

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

22. This report is about engagement of Audit New Zealand for the Auckland Council Group as a whole, with no impact at a local board level.

## Tauākī whakaaweawe Māori Māori impact statement

23. The report is about engagement of Audit New Zealand for the Auckland Council Group as a whole, with no impact specific to Māori, noting however that both the Office of the Auditor-General and Audit New Zealand have te ao Māori strategies.

## Ngā ritenga ā-pūtea Financial implications

24. The proposed fees will be included in the audit fee proposal that will be provided by the group financial controller.



## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

25. The key risk related to these letters is a potential increase in audit fees. This could occur if there is a significant increase in the audit scope which would require extra audit effort, such as ongoing work in relation to the controls over the reporting of statutory timeframes for building and resource consents.
26. To mitigate this risk, Audit New Zealand and Auckland Council staff meet fortnightly to discuss audit issues to ensure they are managed and resolved efficiently. Auckland Council staff are also discussing how the annual audit can be made more efficient.

## Ngā koringa ā-muri Next steps

27. Following the approval of the draft documents by the committee, Audit New Zealand will issue the letters in final form and the mayor and chief executive will sign the finalised letters. Auckland Council staff will also confirm and finalise the council and Audit New Zealand's delivery timelines, to ensure a timely and efficient annual audit process.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Draft Audit Engagement Letter - 2023-2025	
B 	Draft Audit Proposal Letter - 2023-2025	

## Ngā kaihaina Signatories

Authors	Tracy Gers - Group Accounting & Reporting Manager Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Peter Gudsell - Group Chief Financial Officer Phil Wilson - Director, Governance & CCO Partnerships

## 31 December 2022 half year results announcement for the NZX and Interim Report

File No.: CP2023/01132

Item 13

### Te take mō te pūrongo

#### Purpose of the report

1. To provide assurance over controls applied to ensure the draft half year NZX release contains valid, accurate and complete information.

### Whakarāpopototanga matua

#### Executive summary

2. The Auckland Council Group's draft half year NZX release has been prepared by the Financial Control team for the six months ended 31 December 2022.
3. The draft half year NZX release has gone through multiple reviews for compliance with applicable laws and regulations, and to ensure that the information included is valid, accurate and complete.
4. The group financial controller will present the draft half year NZX release in the confidential part of this meeting. The deputy auditor-general and appointed auditor will comment on the auditor review process and provide verbal clearance on the draft half year NZX release.

### Ngā tūtohunga

#### Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the processes and controls to ensure the validity, accuracy and completeness of the interim report.

### Horopaki

#### Context

5. The Financial Control team prepares the draft half year NZX release in accordance with the NZX listing rules. The information in the release is based on consolidated reporting packs from the council and its subsidiaries including council-controlled organisations (CCOs), City Rail Link Limited (CRL), and Ports of Auckland Limited (POAL). It is supported by assurances obtained in letters of representation.

### Tātaritanga me ngā tohutohu

#### Analysis and advice

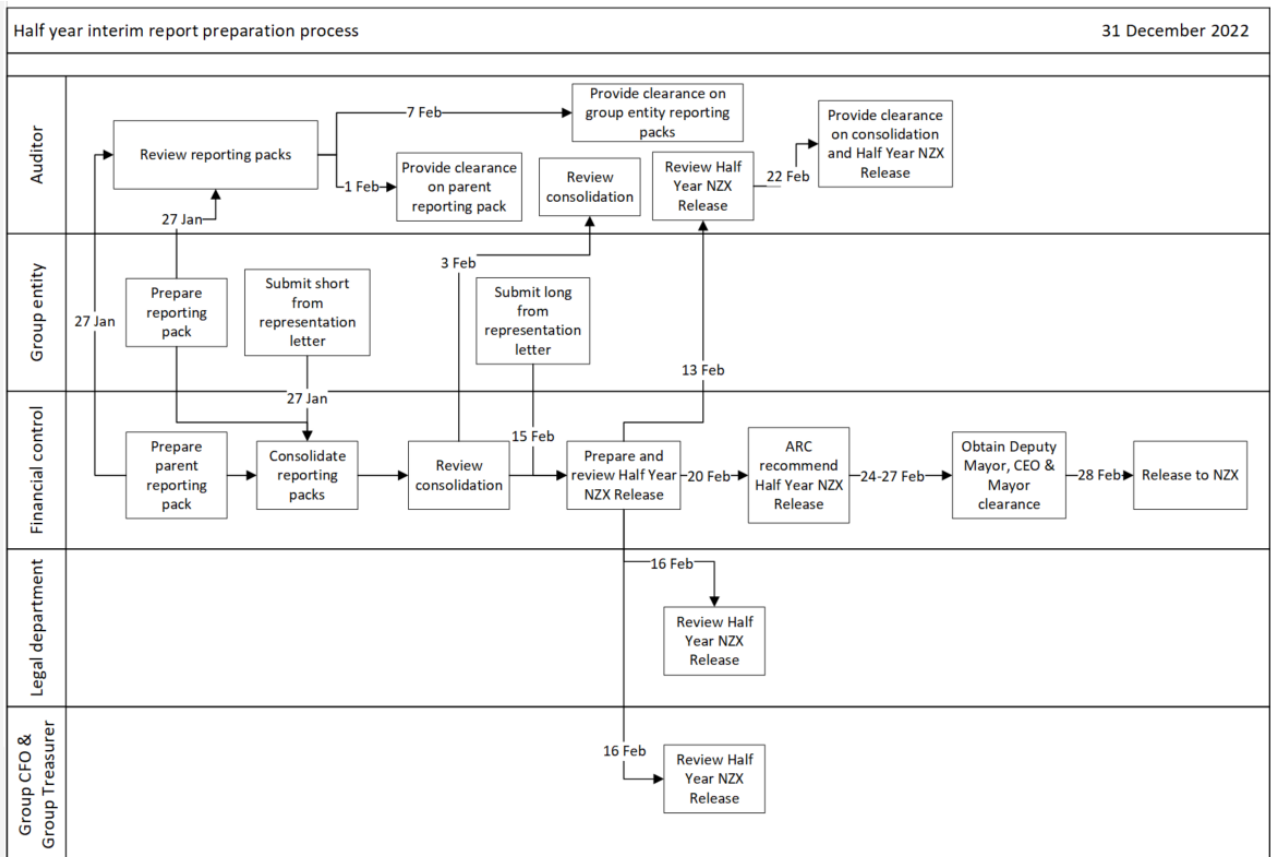
##### Letters of representation

6. Letters of representation provide assurance that the financial information provided:
  - complies with generally accepted accounting practices, including the New Zealand Public Benefit Entity International Public Sector Accounting Standards
  - fairly reflects the financial position as 31 December 2022, financial performance and cash flows for the six months ended 31 December 2022.

7. We obtain short form and long form letters of representation from substantive CCOs, POAL and CRL. Short form letters of representation are received at the same time group reporting packs are received and are signed by the relevant entity's chief financial officer. They contain summarised representations. Long form letters of representation are signed by the chair of the board/audit committee and/or chief executive of the relevant entity. They contain detailed representations including a summary of uncorrected misstatements.
8. The mayor and chief executive are required to sign a letter of representation to Audit New Zealand to provide assurance that the interim report complies with financial reporting standards and fairly reflects the group's financial position, financial performance, and cash flows. A back-to-back letter of representation has been prepared and signed by the group financial controller, the group treasurer and the group chief financial officer, to support the mayor and chief executive in their sign-off of the letter of representation to Audit New Zealand. Copies of these letters will be made available by the group financial controller for review at this committee meeting.

### Interim report preparation process

9. The diagram below outlines the process undertaken to prepare the draft half year NZX release.



### Tauākī whakaaweawe āhuarangi Climate impact statement

10. This paper relates to a financial reporting process only and as such has no climate implications. Auckland Council Group's climate impact will be included in the 30 June 2023 Annual Report.

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

11. This report relates to the Auckland Council Group as a whole and as such takes into account group impacts and views.

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

12. This report relates to the approval of financial reporting of the Auckland Council Group as a whole and does not include reporting at a local board level. Accordingly, the views of the local boards have not been sought.

## Tauākī whakaaweawe Māori Māori impact statement

13. This report relates to the approval of financial reporting of the Auckland Council Group, which does not affect the achievement or reporting of the council's contributions to Māori outcomes. The group's contributions to Māori outcomes will be reported in the 30 June 2023 Annual Report.

## Ngā ritenga ā-pūtea Financial implications

14. This report relates to the approval of financial reporting. As such, no decision is sought which would have direct financial implications.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

### Risk of invalid, inaccurate or incomplete information

15. The highest risk associated with this approval of the draft half year NZX release is that it might contain invalid, inaccurate or incomplete information. The mitigation to this risk is the high-level review of these documents by this committee, as well as detailed reviews by Auckland Council finance management staff and Audit New Zealand.

### Audit review

16. The draft half year NZX release has been reviewed by several Audit New Zealand reviewers, including their technical team.



## Auckland Council management review

17. Within the council, the following reviews have taken place:

Item 13

	Group CFO	Group treasurer	Group financial controller	GM financial strategy and planning	Manager group accounting and reporting	Manager Financial Stakeholder Relations	Senior group reporting technical accountant	Financial accounting manager	Legal Department / Mayne Wetherell
Auckland Council reporting pack with commentary			✓		✓	✓	✓	✓	
Auckland Council reporting summary with commentary	✓	✓	✓		✓		✓	✓	
Auckland Council Group reporting pack with commentary			✓		✓	✓	✓	✓	
Auckland Council Group reporting summary with commentary	✓	✓	✓		✓		✓		
Half year NZX release	✓	✓	✓	✓	✓	✓	✓	✓	✓

### Risk of significant adverse events immediately prior to signing being omitted

18. The Financial Control team will confirm, with all material subsidiaries and joint ventures and relevant senior managers at the council, that no adverse events have taken place just prior to the mayor and chief executive officer providing final approval of the half year NZX release.

### Risk of failure to comply with NZX listing rules

19. Mayne Wetherell provided a formal memorandum that details the council's obligations in relation to the rules, which was used by the Financial Control department, in conjunction with the rules themselves, to ensure compliance.

## Ngā koringa ā-muri

### Next steps

- The group financial controller will present the draft half year NZX release in the confidential section of this meeting. The deputy auditor-general will comment on the auditor review process and provide verbal clearance on the draft half year NZX release.
- The draft half year NZX release will be presented to the deputy mayor on 24 February 2023 to recommend that the mayor and the chief executive approve the release of the reports.



22. The draft half year NZX release will then be presented to the chief executive and the mayor on 27 February 2023 to request they approve the final half year NZX release and authorise for it to be released to the NZX and the public on 28 February 2023.

## **Ngā tāpirihanga**

### **Attachments**

There are no attachments for this report.

## **Ngā kaihaina**

### **Signatories**

Authors	Tracy Gers - Group Accounting & Reporting Manager Francis Caetano - Group Financial Controller Alvin Ang - Senior Group Reporting Technical Accountant
Authorisers	John Bishop - Group Treasurer Peter Gudsell - Group Chief Financial Officer Phil Wilson - Director, Governance & CCO Partnerships



## Update on climate risk reporting work programme

File No.: CP2023/01180

### Te take mō te pūrongo

#### Purpose of the report

1. Provide the Audit and Risk Committee with an update on the progress towards compliance with the External Reporting Board's climate standards which become mandatory at 30 June 2024.

### Whakarāpopototanga matua

#### Executive summary

2. Auckland Council Group is required to prepare climate-related disclosures from 30 June 2024 that comply with New Zealand Climate Reporting Standards.
3. The sustainability and financial control teams have established management and staff working group mechanisms to support the progress towards compliance.
4. The 2022 annual climate risk work programme focussed on scenario development, physical and transition risk identification, development of a risk management approach, a governance assessment and a consideration of how best to embed Te Ao Māori into our climate work and our climate disclosure.
5. Three reports were produced:
  - Climate Change Risk Identification (which included scenario analysis)
  - Climate Change Governance Assessment
  - Climate Change Risk Management
6. The 2023 annual climate risk work programme will be informed by the findings and recommendations in these reports as well as a gap analysis of the New Zealand Climate Reporting Standards.
7. At the time of writing this report, Auckland was experiencing extreme weather and associated impacts (extreme rainfall and cyclone with impacts including flooding and landslides), climate change acts to amplify these kinds of extreme events. These events underscore the importance of council's continued focus on integrating climate change considerations within its business planning and reporting.

### Ngā tūtohunga

#### Recommendation/s

That the Audit and Risk Committee:

- a) whiwhi / receive the high-level summary of the 2022 climate risk work programme.

### Horopaki

#### Context

8. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 (FMC Act) and the Financial Reporting Act 2013, requiring the Auckland Council Group to make annual climate-related disclosures based on standards published by the External Reporting Board (XRB) from 30 June 2024.
9. In December 2022 the XRB issued the New Zealand Climate Standards which are broadly based on the Taskforce for Climate Related Financial Disclosures (TCFD) framework.

10. The underlying premise of the standards is that governance and risk management structures and processes integrate climate change considerations; that organisations' business plans and strategies incorporate the risks and opportunities posed by climate change; and that metrics and targets are in place to measure success and monitor progress towards climate goals.
11. To ensure that compliance is achieved with the climate reporting standards in 2024, a virtual climate reporting team has been established comprising members of the finance and sustainability teams, with two climate leads. Further,
  - A governance group was established led by the Group CFO, Peter Gudsell and comprises senior finance leaders across the group as well as leaders from Auckland Council's sustainability, Ngā Mātārae, legal services and risk and assurance teams.
  - A working group was established to carry out the work programme, and comprises finance, sustainability, risk and operational managers throughout the group.
  - A reference group was established comprising the group financial controller, GM Risk and Assurance and Chief Sustainability Officer to provide direction and guidance to the climate leads.
12. In 2021, the climate leads did a gap analysis against the TCFD framework. They identified the most significant areas where work was needed. This provided the basis for the 2022 work programme where the following pieces of work were completed:
  - Development of climate scenarios applicable to the Auckland Council Group
  - Identification of physical and transition risks for each group entity in relation to the climate scenarios
  - Development of a group risk management framework that supports the identification and assessment of climate risks
  - Development of a methodology to assess and rate climate risks
  - Evaluation of the integration of climate risk into the group's governance mechanisms and processes.

## Tātaritanga me ngā tohutohu Analysis and advice

13. The 2022 annual work programme was delivered from March-November 2022 and over 100 staff were engaged.
14. Three reports were produced and detail the findings of the 2022 annual work programme:
  - Climate Change Risk Identification (which includes scenario analysis)
  - Climate Change Governance Assessment
  - Climate Change Risk Management
15. Embedding Te Ao Māori was a key project in the work programme that focused on identifying an approach to embedding Te Ao Māori into the group's climate disclosure activity. Findings from this project can be found in the confidential report of the same name.
16. A detailed review and prioritisation of the recommendations in the above reports will be carried out as part of the 2023 annual work programme.

### Climate Change Risk Identification

17. The New Zealand Climate Standards require the group to provide a description of the scenario analysis it has done and the climate-related risks and opportunities identified over the short, medium, and long term.
18. The group has developed two transition scenarios and identified one physical scenario that were used for scenario analysis. These were reported in the 2022 annual report.

19. Physical risks were identified against a Representative Concentration Pathway (RCP) 8.5 scenario, which is a “high-end” emissions pathway where emissions remain as high or higher than current levels, and global temperature increases by ~4°C.
20. The two transition scenarios developed are fictitious and were designed to challenge thinking yet remain plausible.
21. The transition scenarios were developed across five workshops with over 70 staff from across the group including the working and governance climate disclosure groups.
22. The two transition climate scenarios are:
  - Kakariki: New Zealand is a leader in the transition to net zero. Central government recognises that climate change is an existential threat. It leads the “Great Pivot” where all decisions are based on achieving 1.5 degrees Celsius and climate resilience. The entire energy system undergoes rapid electrification and associated technology investment is increased.
  - Kahurangi: New Zealand’s climate response is delayed because of political indecision. Although climate plans are in place, initial economic impacts and industry lobbying from major polluters see a delay to New Zealand’s climate response. From 2023, the central government relies on the market to act until litigation and community uproar shifts the country into a rapid decarbonisation from 2030.
23. We identified both physical and transition risks for each entity in the group as well as group-level risks.
24. A geospatial exposure assessment was also carried out to identify group-owned land and assets that are present in places and settings that could be adversely affected by physical climate hazards.
25. A separate ‘mana outcomes’ workstream explored risks from a Te Ao Māori perspective. This involved identifying climate-related risks to Māori that may have a consequential impact on group entities.
26. A significant number of direct and indirect physical risks were identified, as well as transition risks relating to the two transition scenarios (Kakariki and Kahurangi) across the group.
27. Many of the group’s climate-related risks are interconnected and require a co-ordinated and consistent approach to how they are managed. Although climate-related risks have been identified for each entity within the group, because the Auckland Council Group is an issuer, to be compliance with New Zealand Climate Standards climate-related, risks will need to be assessed, reported and managed at the group level.
28. To support the group with this approach, we did a high-level analysis of entity level risks to capture climate-related risks that:
  - Have been identified for multiple entities across the group.
  - Have been identified as significant to the group or apply to the group but haven’t been identified by multiple entities.
29. A full list of group climate-related risks and opportunities can be found in the confidential report with the same title.
30. Further engagement with stakeholders is required to undertake a detailed assessment of the group level risks. This will be completed as part of the 2023 annual work programme.

### **Embedding Te Ao Māori**

31. As part of the group’s 2022 work programme, we sought to identify how a Te Ao Māori lens could be applied, and the values and principles of Te Ora ō Tāmaki Makaurau realised through our climate disclosure activity.
32. The XRB does not provide any guidance on measuring climate-related risks to Māori and there are limited examples of climate change risk assessments where a Te Ao Māori and mātauranga Māori approach has been applied across New Zealand.

33. To formalise and guide the groups climate disclosure activity, we have mapped the mana outcomes of Kia ora Tamaki Makaurau (our Māori Outcomes Performance Measurement Framework) against the TCFD pillars: Governance, Strategy, Risk Management and Metrics & Targets.
34. Specific lines of enquiry were overlaid, embedding Te Ao Māori into the group climate risk response.
35. This framework was used to inform the identification of climate change risks for Māori in the region and the corresponding implications for the group and the delivery of the mana outcome areas. The group's disclosure takes an internal perspective, therefore the same approach has been taken to identify these risks.
36. This work was undertaken with input and guidance from the Māori outcome leads across the council group in addition to internal technical experts.

### Climate change risk management approach

37. The purpose of this project was to develop a cross-council approach to climate risk management to enable the group to better understand and manage its climate-related risks in a consistent manner.
38. The XRB risk management disclosure objective is to 'enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.'
39. To achieve the disclosure objective the group must disclose the following information for both transition risks and physical risks:
  - a description of its processes for identifying, assessing and managing climate-related risks; and
  - a description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management processes.
40. In developing the climate risk management approach, a risk management working group was established by the climate disclosure working group, and a number of workshops and meetings were held to discuss and agree on details.
41. The climate risk management approach developed is broadly aligned with ISO31000:2018 (Risk Management Guidelines), the XRB's Draft Aotearoa New Zealand Climate Standard 1, and the MfE Guidelines for local Climate Change Risk Assessments. The methodology contains risk assessment approaches for both physical risks (direct and indirect) and transition risks.
42. It is important to note that the assessment is an organisational climate risk assessment, and not a community climate risk assessment. The group has a key role in managing risks to the community, hence there will be areas of ambiguity in terms of context which will need to be addressed on a case-by-case basis.
43. Different elements of a climate risk framework were discussed including the level of granularity of assessments and climate risk categories.
44. The appropriate level of granularity will depend on the purpose of the risk assessment itself, the materiality of the risk being considered and the data available.
45. Options for risk categorisation were discussed with risk managers and a decision was made to use risk categories that align with the National Climate Change Risk Assessment: Human, Built, Economic, Natural, Governance.
46. These risk categories were chosen as broad themes to which organisation-specific risk categories were mapped (as taken from each organisation's risk management framework).
47. A recommended approach for the identification of climate risks to Māori has been proposed based on the matrix mapping mana outcomes to TCFD pillars.

48. A methodology for completing a detailed risk assessment has been recommended based on engagement with risk managers across the group. This methodology will need further testing when we establish a climate risk management framework for the group as part of the 2023 work programme.
49. A copy of the Climate Change Risk Management Approach report is attached in the confidential paper with the same name.

### **Governance Assessment**

50. The objective of the governance assessment was to identify any weaknesses in Auckland Council and each subsidiaries' governance mechanisms and processes in relation to climate change.
51. Each group entity received a tailored governance assessment, and there was an overall assessment of the group as a whole.
52. The assessment report mentions a number of matters that are working well in terms of governance of climate-change risks and opportunities. It also identified several gaps which will inform the development of the 2023 work programme.
53. A copy of the Auckland Group Climate Change Governance Assessment Report 2022 is included in the confidential report of the same name.

### **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

54. The Auckland Council Group has committed to reduce its greenhouse gas emissions by 50% by 2030, achieve net zero emissions by 2050 and adapt to the impacts of climate change.
55. Although the group is legally required to prepare climate disclosures, delivering the work required to be compliant with the New Zealand Climate Standards will support and further enable climate action across the group by ensuring climate change is embedded into our governance, risk management, strategic and business planning processes.
56. A significant amount of work has been done to understand the impacts of climate change for the Auckland region. There has been some work completed across the group to understand climate-related risks, however, this has either been done in isolation that does not allow for a group view of risks or at a high-level without a framework in place to effectively manage the risks.
57. The group now has a better understanding of its entity and group level climate-related risks and a framework for managing these risks will be put in place as part of the 2023 annual work programme.

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

58. The wider council group is captured under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021.
59. The act states that if a climate reporting entity has one or more subsidiaries, it must ensure that group climate statements are prepared.
60. The climate disclosure working group is responsible for delivering the work required to achieve compliance with the New Zealand Climate Standards and collaborating with key stakeholders across the council group to ensure a co-ordinated and group-wide approach is taken and adhered to.
61. The climate disclosure governance group is responsible for ensuring cross-organisation collaboration to achieve alignment and a co-ordinated climate disclosure response.



62. Key stakeholders from across the group have been involved in the preparation of climate disclosures since 2019 and actively involved in the delivery of the 2022 annual work programme.
63. The time requirements on the CCOs will increase as we prepare for the first reporting year in 2024.
64. Current financial pressures on CCOs means that they are unable to dedicate resource to group projects beyond attendance of meetings and workshops and reviewing reports.
65. We have requested additional resource at Auckland Council to support the group and a business case will be presented to the Enterprise Recruitment Oversight Group for approval.

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

66. This report relates to the climate risk reporting of the Auckland Council Group and each group entity, and does not include reporting at a local board level. Accordingly, the views of the local boards have not been sought.

## Tauākī whakaaweawe Māori Māori impact statement

67. Identifying an approach to embedding Te Ao Māori into the group's climate disclosure activity is a fundamental part of the group's climate disclosure work programme.
68. The group has a limited understanding of how climate change will impact Māori in the region and the corresponding implications for the group and what this means for delivery of the mana outcome areas.
69. The identification and management of these risks will help to ensure the group takes a Te Ao Māori approach to climate risk more broadly.
70. Members of Ngā Mātārae and representative Māori outcome leads from across the group have contributed to this work, however, we acknowledge further engagement is required as we expand this work.
71. Although climate risks relating to the mana outcomes have been identified, further work is required to better understand these risks and what they mean for the group.

## Ngā ritenga ā-pūtea Financial implications

72. This report does not require any decision to be made, therefore there are no financial implications to be disclosed.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

73. Auckland Council is legally required to prepare a climate disclosure. Non-compliance could result in a qualification on our annual report and lead to a loss of investor confidence in council which could make it more difficult and expensive for the council to access financial markets. Non-compliance could also result in several reputational and legal risks.
74. The climate disclosure leads and the climate disclosure working group are at full capacity and are only able to deliver of a small portion of the 2023 annual work programme.
75. We are proposing the establishment of a virtual climate disclosure team with a number of roles sitting across the Chief Sustainability Office, Finance and Risk & Assurance to enable the group to achieve compliance.



76. If we are unable to recruit for additional staff members, we may not achieve compliance with the mandatory climate reporting regime. Work is underway to get approval for additional resourcing.

## Ngā koringa ā-muri

### Next steps

77. Each report includes recommendations that will help the group to meet disclosure expectations.

78. These recommendations will be reviewed and assessed to determine which items will be included in our 2023 and 2024 annual work programmes.

79. A work programme for 2023 was presented to and approved by the climate disclosure governance group in November 2022.

## Ngā tāpirihanga

### Attachments

There are no attachments for this report.

## Ngā kaihaina

### Signatories

Authors	Tracy Gers - Group Accounting & Reporting Manager Helen Mahoney - Senior Corporate Sustainability Advisor
Authorisers	John Bishop - Group Treasurer Matthew Blaikie - Chief Sustainability Officer Phil Wilson - Director, Governance & CCO Partnerships



## Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Audit and Risk Committee

- a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

### C1 **CONFIDENTIAL: Council-Controlled Organisations' Quarterly Risk Update - February 2023**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>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.</p>	<p>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.</p> <p>In particular, the report contains risk reporting and detailed top risks confidential to the substantive council-controlled organisations' boards or Audit and Risk Committees. The substantive council-controlled organisations have provided their risk reports for council's Audit and Risk Committee subject to confidentiality.</p>	<p>s48(1)(a)</p> <p>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.</p>

**C2 CONFIDENTIAL: Ports of Auckland Limited Risk Update - February 2023**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
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.	<p>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.</p> <p>In particular, the report contains risk reporting and detailed top risks confidential to Ports of Auckland Limited's board or Audit and Risk Committee. Ports of Auckland Limited have provided their risk reports for the Council's Audit and Risk Committee subject to confidentiality.</p>	<p>s48(1)(a)</p> <p>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.</p>

**C3 CONFIDENTIAL: Insurance Activity Update 2023/24**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
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.	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>In particular, the report contains details of the proposed insurance strategy, policies and programme for which terms and costs are being sought and negotiated with the insurance market.</p>	<p>s48(1)(a)</p> <p>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.</p>

**C4 CONFIDENTIAL: Internal Audit and Integrity Update**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
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.	<p>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.</p>	<p>s48(1)(a)</p> <p>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.</p>

	In particular, the report contains information which if released would jeopardise the effective delivery of the Assurance Services work programme.	
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**C5 CONFIDENTIAL: Update on climate risk reporting work programme**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(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 about climate risks that could materially impact the Auckland Council Group's financial position in the future, and have not yet been reported to the public.	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.

**C6 CONFIDENTIAL: 31 December 2022 half year results announcement for the NZX and Interim Report**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.  In particular, the report and attachments contain information regarding the interim report and financial results of Auckland Council Group as at 31 December 2022 which cannot be made public until released to the NZX.	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.

**C7 CONFIDENTIAL: Office of the Auditor-General and Audit New Zealand briefing**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.  In particular, the report from the Office of the Auditor-General and Audit New Zealand contains information regarding the interim report and financial results of the Auckland Council Group and Auckland Council for 31 December 2022 which cannot be made public until released to the NZX.	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.