

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

Date: Tuesday, 9 May 2023
Time: 2.00pm
Meeting Room: Room 1, Level 26
Venue: 135 Albert Street
Auckland

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

OPEN AGENDA

MEMBERSHIP

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

(Quorum 3 members)

Mike Giddey
Kaitohutohu Mana Whakahaere / Governance
Advisor

2 May 2023

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1 Ngā Tamōtanga | Apologies

Apologies from IMSB Member T Kake and Mayor W Brown have 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, [20 February 2023](#), including the confidential section, as a true and correct record.

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 May 2023

File No.: CP2023/03136

Te take mō te pūrongo Purpose of the report

1. To review and approve the remaining elements of the Audit and Risk Committee's annual 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 remains relevant and can be adapted to changes in Auckland Council's risk profile.
3. The following changes have been made to the forward work programme:
 - The Enterprise Risk Update has both an open and confidential update to this committee. The confidential section includes the detail on Auckland Council's strategic risks.
 - The Audit New Zealand Audit Proposal letter for 2023, 2024 and 2025 will be presented at this meeting.
 - The Three Waters Reform update that was scheduled to take place at this meeting will now take place at the 21 August 2023 meeting of this committee.
 - The LTP Project update that was scheduled to take place at this meeting will now take place at the 21 August 2023 meeting of this committee.
 - The additional insurance update previously included for this meeting will now be delivered in the pre-meeting workshop.
 - An update on the Auckland Flood Response report has been added to the pre-meeting workshop on 9 May 2023.
 - The Group Risk Kōrero that was scheduled to take place as a workshop item prior to this meeting has been deferred and will take place prior to the 21 August 2023 Audit and Risk Committee meeting.
 - An Enterprise Portfolio Management Office (EPMO) update has been added to the agenda as a workshop item to take place prior to the Audit and Risk Committee meeting on 5 December 2023.


Item 8

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 Enterprise Risk Update has both an open and confidential update to this committee. The confidential section includes the detail on Auckland Council's strategic risks
 - ii) the Audit New Zealand Audit Proposal letter for 2023, 2024 and 2025 will be presented at this meeting
 - iii) the Three Waters Reform update and the LTP Project update were scheduled to take place at this meeting will now take place at the 21 August 2023 meeting of this committee
 - iv) the additional insurance update has been delivered in the pre-meeting workshop to this meeting
 - v) an update on the Auckland Flood Response report has been added as a pre-meeting workshop to this meeting
 - vi) the Group Risk Kōrero that was scheduled to take place as a workshop item prior to this meeting will now take place ahead of the Audit and Risk Committee meeting on 21 August 2023
 - vii) an Enterprise Portfolio Management Office (EPMO) update has been added to the agenda as a workshop item to take place prior to the Audit and Risk Committee meeting on 5 December 2023.

Ngā tāpirihanga Attachments

No.	Title	Page
A 	ARC Forward Work Programme May 2023	

Ngā kaihaina Signatories

Authors	Sathya Ashok - Head of Risk and Audit Simon Stewart - Senior Risk Advisor Andre de wet - Senior Risk Advisor
Authorisers	Emma Burke - General Manager Risk and Assurance Phil Wilson - Director, Governance & CCO Partnerships

City Rail Link risk update

File No.: CP2023/04936

Te take mō te pūrongo

Purpose of the report

1. To provide an update on sponsor risks in relation to the city rail link (CRL) project.

Whakarāpopototanga matua

Executive summary

2. This report provides an update on sponsor risks in relation to the city rail link project.
3. The report provides a brief summary of the current project status, noting that the successful civil construction phase is drawing to a close, and the shift to installation of systems and the change in the risk profile associated with this.
4. The report also notes the recent request by City Rail Link Limited (CRL Ltd) to Sponsors to enter into a new Heads of Agreement with the Link Alliance. This reflects a negotiated settlement of past, current and future Covid-19 claims and resets the CRL Ltd/Link Alliance relationship. Associated with this request was a request for additional funding to complete the City Rail Link and to ensure that Auckland Transport (AT) and KiwiRail are sufficiently funded to work with CRL Ltd and the Link Alliance in the work needed to plan and deliver operational readiness of the railway and in the testing and commissioning phases.
5. A Sponsor Risk Workshop is scheduled for 3 May 2023. A summary of the risks and mitigation measures and controls from this workshop will be provided verbally to this committee.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the City Rail Link project risk and assurance update.

Horopaki

Context

6. Auckland Council and the Crown are joint Project Sponsors of the CRL. Construction of the City Rail Link is being jointly funded on an equal basis by the Crown and Auckland Council. CRL Ltd, a Crown company, has full governance, operational and financial responsibility for CRL, with delivery targets and performance expectations.
7. In 2017, when CRL Ltd was established, the Governing Body [GB/2017/72] resolved to:
 - j) agree that the Audit and Risk Committee will receive regular reports on the City Rail Link project status, including a record of all Sponsor decisions made under delegated authority and information on the management of key risks (budget, schedule, specification, safety and probity).
 - k) request the Audit and Risk Committee draw matters relating to the City Rail Link project to the attention of the Governing Body which it considers necessary or desirable.

8. In April 2023 Sponsors considered and approved a funding request by CRL Ltd. The request reflected the:
 - settlement of Covid-19 related claims (on materials costs, personnel, and project timeline for all parties, including AT and KiwiRail)
 - increased costs to support the project
 - cost and scope updates for C2 (The Strand), C8 (Henderson), C9 (Britomart East), and property valuation and claim costs.
9. This request requires the Project Delivery Agreement and Project Alliance Agreement to be updated to reflect the increased total project cost (P50 estimate) and updated Practical Completion date for the CRL project (now November 2025).
10. A number of assurance processes were undertaken to verify the claim. Sponsors' independent Assurance Managers, TSA Management, reviewed the overall claim, including the KiwiRail and AT costs, but with a focus on appropriate processes being undertaken.
11. Staff last reported formally to the committee in September 2022. This report noted the impacts of Covid-19 on the project and the outcomes from the Office of Auditor-General's report *Governance of the City Rail link project*. This report made four key recommendations.
 - Recommendation 1 – identified that a better system of tracking recommendations from TSA's assurance reviews was needed. This has been adopted.
 - Recommendation 2 concerned the completion of an agreed comprehensive benefits realisation plan. This is currently under development, led by Ministry of Transport and is not expected until later this year.
 - Recommendation 3 related to governance arrangements and alignment between the Boards of CRL Ltd, AT and KiwiRail. This group has now met twice and a terms of reference has been drafted, detailing the purpose of this group and meeting frequency (3-4 times per annum).
 - Recommendation 4 related to improving the recording of information. Staff are working to continuously improve in this area.

Tātaritanga me ngā tohutohu Analysis and advice

Project status

12. The majority of the CRL project is being delivered by the Link Alliance under the major works contract (predominantly C3). Significant progress has been made with both tunnels now complete and construction of the new station buildings well underway.
13. The project is now moving into a complex phase comprising the fit out of tunnels and stations, installing systems, integration, with the wider network and testing and commissioning.
14. With the civil works being largely complete, the risk profile of the project is now different from in 2019. Procurement and geotechnical risks are no longer significant issues. The key risks now focus on the integration of systems, CRL Ltd's management of sub-contractors and integrating AT and KiwiRail involvement. More information about the key risks in this next phase, and how this part of the project will be managed by Sponsors is provided later in this report.
15. While the visible infrastructure will appear substantially complete to the public, the experience of rail projects overseas has demonstrated that the project is still probably at around the halfway stage in terms of what remains to deliver an operational railway that meets customer expectations. Management of expectations around the opening date and project status will be important.

Sponsor risk dashboard

16. TSA lead the twice-yearly risk review workshops for Sponsors, as well as providing assurance to Sponsors on the status of CRL Ltd's risk management processes. TSA maintains the Sponsor risk dashboard.
17. A Sponsor risk workshop is scheduled for 3 May 2023. The workshop will be attended by the Sponsor's Representative, Barry Potter and staff from council, the Ministry of Transport and Treasury. This will be used to update the Sponsor risk dashboard, and a verbal update summarising the risks and the controls currently in place will be provided alongside this report at the 9 May committee meeting.

CRL Ltd settlement of claims and Heads of Agreement with Link Alliance

18. In March 2023, CRL Ltd asked Sponsors to agree CRL Ltd entering into a Heads of Agreement document with Link Alliance. Covid-related cost increases (materials, personnel, delays) were a key component of this claim. The agreement 'resets' the relationship between the parties and should help ensure that all parties maintain the key alliance principle of working in a manner that is 'best for the project'. It does not, however, remove all risks from the project or the potential for further funding requests.
19. Under the Agreement, the risks become shared risks, except for a discrete number of risks (e.g. power supply, Britomart legacy systems). The agreement to share risk between CRL Ltd and the Alliance where there are future delays or cost overruns and to deliver efficiencies with regards to both cost and time, is dependent on the performance of AT and KiwiRail. There is a risk of assertions of liability for AT and KiwiRail, if the Alliance believe their performance has resulted in a loss to the Alliance. To mitigate this risk, a 'One Client' approach is being developed. This is discussed further below.
20. We note that the contractual risk and responsibility allocation in the Heads of Agreement does not limit CRL Ltd's overall responsibility to Sponsors for successful project delivery.
21. Sponsors' Risk Assurance Managers reviewed the funding request and made a number of recommendations. These are being managed by the Sponsors Representatives and CRL Ltd.

Increased costs to support the project and Day 1 Operational Readiness

22. As part of the settlement, a commitment was given by the Link Alliance that they would proactively work with AT and KiwiRail during the testing and commissioning phase to manage the testing and commissioning risks. Under this settlement, the risk of AT and/or KiwiRail failing to perform their obligations in the testing and commissioning phase of the project is a CRL Ltd retained risk¹. As part of the increased funding request, provision was made for AT and KiwiRail to have sufficient funding and resources to undertake this role. This will help mitigate the risk of the Link Alliance claiming further variations.
23. Practical completion of the defined scope of project infrastructure is not the point at which the upgraded railway can be opened for public use. To achieve this, a range of processes need to be completed. These include:
 - successful testing and commissioning of new infrastructure
 - dynamic testing of the railway, stations and tunnels
 - independent reliability assessment
 - emergency trials
 - driver familiarisation
 - approval of rail safety cases (regulator within Waka Kotahi)
 - related infrastructure upgrades (crossings, more trains, stabling, etc).

¹ As the City Rail Link will be a new section of railway and requires variations to existing conditions, under the Railways Act 2005, any rail operator or access provider must have a rail license. One of the requirements to be issued with a license is having a rail safety case which has been approved by Waka Kotahi NZ Transport Agency.

24. In the same way that a railway like Crossrail in London integrated new infrastructure with existing lines, City Rail Link will provide challenges of linking existing systems with the new environment. This interface represents a major risk to delivery of the project. This is well recognised and noted in the OAG report and by our assurance provider. In response, Sponsors' efforts at this time are predominantly geared towards managing these risks and ensuring that customer expectations of when the railway will open, and the performance of the railway are met.
25. The board chair and chief executives of CRL Ltd, AT and KiwiRail are now meeting and have agreed to act on a 'One Client' basis. This group will meet three to four times per year and provide oversight of the interdependencies in the delivery of operational readiness and ensure sufficient reporting and management of issues is occurring within each entity. A Terms of Reference for this group have been drafted and the group will support the existing Delivery Partner Steering Committee.
26. This group will also consider the longer-term programme to deliver the customer experience beyond the initial opening ("day 90"/beyond). This will include ongoing upgrades to meet patronage increases, and other programmes to build an efficient transport network in Auckland, including how the rail environment interacts with roads (particularly crossings) and other public transport networks. The Group will consider the comprehensive benefit realisation plan under development by the Ministry of Transport.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

27. This report is about updated risk assessments for the City Rail Link project. It therefore has no specific impacts on climate change. Climate change impacts themselves are factored into the design considerations and risk assessments of the project but are considered well-controlled by those delivering the project and are not a particular focus for Sponsors at this time.

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

28. AT has an integral role in the delivery of an operationally successful rail link, as described in this report. It has a formal role in the project as one of the 'delivery partners' (along with KiwiRail) and is integrally involved in the oversight mechanisms established to deliver 'day 1' operations.

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

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

Tauākī whakaaweawe Māori **Māori impact statement**

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

Ngā ritenga ā-pūtea **Financial implications**

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

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

32. This report is about the management of Auckland Council's Sponsors risk in the CRL project.

Ngā koringa ā-muri

Next steps

33. As described in this report, Sponsors activity is primarily directed towards the management of project risks at this time. Over the next period, the continued focus on regular governance, monitoring and assurance processes will be critical.

Ngā tāpirihanga

Attachments

There are no attachments for this report.

Ngā kaihaina

Signatories

Author	Claire Gomas - Principal Advisor
Authorisers	Barry Potter - Director Infrastructure and Environmental Services Phil Wilson - Director, Governance & CCO Partnerships

Health, Safety, and Wellbeing Performance Report

File No.: CP2023/04852

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 as at 31 March 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, alongside historical data to show changes over time. 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 Audit and Risk 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. Within the risk management module local risk modules are being developed which will allow the creation of team and local risk registers.
9. An injury management module to enable streamlined management of our injuries alongside our third-party administrator (WellNZ) was released in March 2023, and is now being used successfully. This supports Auckland Council in managing the requirements of the ACC Accredited Employer Programme, which results in better claim management and reduced injury and premium costs for Auckland Council.
10. At the time of writing this report, a module to support the management of hazardous substances had completed testing and was being planned for release at the end of April. This module will assist in ensuring that all hazardous substance amounts are known, their locations understood, and the risks managed.
11. Further development work is being undertaken to design and configure modules for contractor health and safety. This will be conducted as part of a wider review of contractor health and safety management processes.
12. As part of Project Hira, a planned review of Donesafe commenced in late April to ensure that the system is achieving the desired outcomes and expected benefits that were identified in the business case. A wide range of stakeholder experiences will be used through this review to develop an understanding of what has worked well and what needs to be adjusted as the project continues to release and embed modules within Donesafe.

Wellbeing

13. Hauora hinengaro (mental health) has taken a priority with an increasing organisational and societal focus on mental health and wellbeing. This has resulted in the development of the Iti Kahurangi Mental Health Plan to support kaimahi in supporting and fostering better mental health and wellbeing. Immediate actions identified through this plan are being coordinated and actioned, with training providers being organised for initial targeted training aimed at kaimahi and leaders in higher-risk areas.
14. Permanent pastoral care roles are currently being recruited to establish a more flexible and ongoing permanent resource for kaimahi, alongside recruitment for a mental health and wellbeing advisor who can provide specialised advisory services to the organisation on hauora hinengaro.
15. Training is underway to establish a peer-to-peer support network across the organisation to provide a frontline response option to identify wellbeing concerns and provide immediate support for kaimahi with mental health or wellbeing needs.
16. Ongoing organisational change and resource limitations are resulting in business resilience challenges for teams in delivering services. Some parts of the organisation are experiencing disruption to services due to staff availability (including illness, leave, and recruitment challenges). This is indicating that some departments do not have enough resource to effectively manage absences or vacancies (both planned and unplanned) and maintain services at the level that the community expects. This is then causing mental health and wellbeing concerns for other staff, which introduces a potential cyclical increase in risk to the organisation. It is expected that the actions identified within the Iti Kahurangi Mental Health Plan will help resolve this increased risk.

Critical risk management

17. An ongoing work programme to improve the management of critical risks (risks that have the potential to cause fatalities or life-altering injuries) is continuing. Six critical risk workshops undertaken with kaimahi from across council are now complete. These focused on mobile plant and equipment, vehicles, working around traffic, fatigue, fall from heights and excavations.
18. 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.
19. Critical control verification processes for released standards will soon be developed within Donesafe to enable the ongoing first- and second-line assurance of critical control implementation across Auckland Council and will be used as the foundation for health and safety reporting in the future.

Violence and aggression

20. The health, safety and wellbeing function has continued to work with high-risk teams to implement action plans developed following several workshops 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.
21. Of the 89 agreed actions, 29 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.
22. Kaimahi continue to experience increased violence and aggression while working with, or in, the community with 151 incidents of aggressive behaviour or violence reported over February and March 2023. While the majority of these are low severity, there has been some more serious events which have included threats made with weapons.

Worker engagement, participation, and representation

23. In May 2023, three of Auckland Council's health and safety representatives will feature in WorkSafe New Zealand's Spotlight programme, promoting worker engagement and participation in a nationwide campaign.

Incident Commentary

24. 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. This is an expected lift in reported incidents given the system is easier and more intuitive to use, and available on mobile devices for instant logging. This has been sustained over time, indicating that the intended outcomes are being delivered through the new system and processes implemented.
25. As with previous months, violence and aggression continues to be the primary risk-type involved in incidents, with 151 incidents reported between February 2023 and March 2023.
26. As part of Project Hīra, there has been a greater focus placed on corrective actions that are generated as part of the review and learning process post-incident. The health, safety and wellbeing team has been working with the business to reduce the number of overdue actions from 43 per cent reported at the February Audit and Risk Committee meeting, to 33 per cent and will continue to engage with leaders to ensure that actions are completed on time.

Tauākī whakaaweawe āhuarangi Climate impact statement

27. 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

28. This report is based on Auckland Council organisation 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

29. 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.
30. 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

31. 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.
32. 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

33. 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

34. 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

35. Following the 9 May 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

Enterprise Risk Update May 2023

File No.: CP2023/04015

Te take mō te pūrongo Purpose of the report

1. To update the Audit and Risk Committee on:
 - i) the status of and changes to the Auckland Council strategic risks evaluated in the period February 2023 to April 2023
 - ii) the risk work programme for the period March 2023 to June 2024
 - iii) risk management activities since the last report to this committee in August 2022
 - iv) priorities for the next quarter.
2. To seek approval from the Audit and Risk Committee on the proposed risk management policy and risk management framework.

Whakarāpopototanga matua Executive summary

3. The Risk team have supported risk sponsors and risk leads in an update of the strategic risks.
4. The financial challenges emerging in the last quarter of 2022 and the two weather events in the first quarter of 2023 have created heightened risk drivers, putting increased pressure on the controls and the actions to further mitigate the risks. Attachment A provides an update and identifies a consistent upwards trend across all strategic risks.
5. The risk management policy and the risk management framework have been updated, reviewed and endorsed by the Executive Leadership Team. The guardianship and approval of the policy and framework remains with the Audit and Risk Committee. Refer to Attachment B for the risk management policy and the risk management framework.
6. The risk work programme outlines planned actions and activities from March 2023 to June 2024 with the aim to further mature the risk management culture across Auckland Council, increase engagement with group entities and improve understanding of a group risk profile.
7. Our primary focus remains on providing risk support and risk advice to the Auckland Council's directorates, kaimahi and other key stakeholders, along with reporting significant matters to the relevant governance committees and bodies.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the Enterprise Risk Update – May 2023 report and strategic risks attachment
- b) whakaae / approve the risk management policy and the risk management framework
- c) tuhi ā-taipitopito / note the risk work programme
- d) whakaae / agree to refer the Enterprise Risk Update – May 2023 report to the Governing Body for information.

Horopaki Context

8. This report provides an update on Auckland Council's risk activities and risk management, including strategic risks and key programmes, for the period September 2022 to April 2023.
9. This information enables the Audit and Risk Committee to fulfil their governance and oversight role of the effectiveness of risk management within Auckland Council.
10. The risk management policy and risk management framework have been updated to remain fit-for-purpose and in line with relevant standards. The Terms of Reference of the Audit and Risk Committee requires the committee to review and approve the risk management policy and the risk management framework.
11. The risk work programme outlines planned activities and prioritises areas for improvement of risk management capabilities and maturity.

Tātaritanga me ngā tohutohu Analysis and advice

Enterprise risk activities update

12. The Risk and Assurance department continues to work with risk owners and action owners to track, update and report on strategic risks. The strategic risks are reviewed six-monthly by the Enterprise Leadership Team in accordance with the risk management framework.
13. This current review has refreshed the existing strategic risks. Significant change from internal and external factors has driven many risk sponsors and risk leads to revising risk descriptions to better reflect the current environment, key actions have been modified and target risk ratings identified. Refer to Attachment A for details.
14. A comprehensive review and reassessment of the strategic risks is planned with the Enterprise Leadership Team on 3 July 2023. Changes to the strategic risks will be presented to the Audit and Risk Committee in December 2023, in line with the six-monthly review cycle.
15. Risk support continues to be provided to key programmes and projects, directorates, risk champions and kaimahi across Auckland Council.

Risk management policy and risk management framework

16. The risk management policy and the risk management framework has been refreshed during this period to ensure it remains fit-for-purpose and reflects current best practice. Attachment B contains the risk management policy and the risk management framework.
17. The main updates include:
 - structured redesign for increased readability
 - restating the scope of the policy to make it clearer
 - expanding the principles underpinning the policy
 - clarifying the roles and responsibilities of the key stakeholders involved in risk management
 - detailed risk assessment covering three risk rating stages
 - introduction of target risk rating
 - focus on risk evaluation, risk monitoring and risk escalation as part of risk management practices
 - defined risk mitigations, including controls and risk treatment actions.

Risk work programme

18. The risk work programme covering the period from March 2023 to June 2024 details deliverables for the Auckland Council Risk team to operationalise the risk management policy and risk management framework.
19. The risk work programme is designed to deliver activities across three key pillars – strategic spotlight, building capability and risk integration. These pillars are aligned with and support the achievement of the risk management objectives.
20. Refer to Attachment C for the risk work programme covering March 2023 to June 2024.

Tauākī whakaaweawe āhuarangi Climate impact statement

21. Climate change and its impacts remain a strategic risk. Mitigations and responses remain a priority for Auckland Council.
22. The Risk and Assurance department continue to collaborate with the Chief Sustainability Office, Finance Division, and relevant departments across the council group to support Auckland Council's adaptation and mitigation workstreams and to progress with the group's task force on climate-related financial disclosures by 2023.

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

23. The Risk and Assurance department works with risk managers and key staff in the council controlled organisations to collaborate and share knowledge on common risks. The risk profiles and updates from council controlled organisations are covered in a separate report in this meeting.

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

24. There are no direct impacts on Local Boards.

Tauākī whakaaweawe Māori Māori impact statement

25. The impact on Māori Outcomes is covered in the sections dealing with the Māori Outcome strategic risk.

Ngā ritenga ā-pūtea Financial implications

26. Financial management continues to be a strategic risk for Auckland Council, and the risk team, in collaboration with the Group Chief Financial Officer and the Finance Directorate team, closely monitors the drivers and impacts associated with this risk.
27. There are no financial costs associated with the committee receiving this report on enterprise risk management activities, and there are no funding decisions required.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations




28. The strategic risks mitigations for Auckland Council were discussed as part of the strategic risk review. Actions have been identified where further mitigations are required.

29. The Risk and Assurance department continuously reviews the external and internal environment to identify emerging or heightened risks and trends, which are presented to the Enterprise Leadership Team on a regular basis.
30. The updated risk management policy and risk management framework will contribute to the continuous upliftment of risk awareness and risk management standard in Auckland Council.

Ngā koringa ā-muri Next steps

31. Using the risk work programme as a basis, the following are the focus areas for risk management activities:
 - continued monitoring of Auckland Council's strategic risks and supporting action owners to progress with risk mitigations
 - continued monitoring of emerging risks, heightened risk drivers and the impacts
 - participating and facilitating the comprehensive review and re-articulation of Auckland Council's strategic risks
 - building risk management awareness, knowledge and skills through risk kōrero and training programmes
 - ongoing risk support for key strategic programmes and projects and directorates.

Ngā tāpirihanga Attachments

No.	Title	Page
A 	Enterprise Risk update May 2023	
B 	Risk management policy & framework 2023	
C 	Risk work programme March 2023 to June 2024	

Ngā kaihaina Signatories

Authors	Sathya Ashok - Head of Risk and Audit Andre de wet - Senior Risk Advisor Simon Stewart - Senior Risk Advisor Neil Rodrigues - Risk Advisor
Authorisers	Emma Burke - General Manager Risk and Assurance Phil Wilson - Director, Governance & CCO Partnerships

The Auditor-General's report to council on the review engagement for the six months ended 31 December 2022

File No.: CP2023/04160

Item 12

Te take mō te pūrongo

Purpose of the report

1. To inform the committee of matters identified by Audit New Zealand, on behalf of the Deputy Auditor-General, during the review engagement for the six months ended 31 December 2022, and outline how Auckland Council is addressing these matters.

Whakarāpopototanga matua

Executive summary

2. The Deputy Auditor-General is the Auckland Council and the Auckland Council Group's external auditor, appointed by the Auditor-General to conduct the review engagement on his behalf. He uses his staff and his appointed auditor's staff (Audit New Zealand) to review the statutory financial and performance reporting, and the internal controls on which they are reliant.
3. On a semi-annual basis, the Deputy Auditor-General provides a report to council which outlines areas in which internal controls and disclosures can be improved. The report issued, following completion of the 31 December 2022 review engagement of the group's interim report, is attached (Attachment A).
4. Four recommendations were raised, namely:
 - Discussing with the Crown and City Rail Link Limited (CRL) the estimation process and appropriate accounting of COVID-19 costs and other contract variations ahead of the preparation of Group's 30 June 2023 annual report.
 - Monitoring the development of legislation of Three Waters Reform programme and consider the implications for the 30 June 2023 annual report.
 - Ensuring fair value assessments of restricted parks and reserves, operational land and buildings, and marina structures assets are completed in time for annual report audit.
 - A review of the repair rate assumption used in calculating the provision for weathertightness and associated building defect claims.
5. Management accepts these recommendations and has provided a response outlining actions being taken to address each issue.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the matters identified in the Deputy Auditor-General's review engagement report to management, for the six months ended 31 December 2022, and management's responses.

Horopaki Context

6. This report summarises the matters identified by Audit New Zealand and the Deputy Auditor-General during their review engagement for the six months ended 31 December 2022 and outlines how management is addressing those matters.
7. Audit New Zealand and the Deputy Auditor-General, on behalf of the Auditor-General, conducted a review of the 31 December 2022 Auckland Council Group interim report. A review engagement provides a moderate level of negative assurance in which the auditor states that nothing has come to his attention that causes him to believe that the interim report does not fairly reflect the group's financial position, performance and cash flows for the six-month period. This level of assurance is at a lower level than that of an audit.
8. Following the review engagement, the Deputy Auditor-General issued a report to management outlining internal control and disclosure matters identified during the engagement.

Tātaritanga me ngā tohutohu Analysis and advice

9. The report acknowledged the timely delivery of information of good standard and effective communication with Audit New Zealand.
10. The Deputy Auditor General included three emphasis of matter paragraphs in his review opinion to draw attention to the disclosures in the interim financial statements relating to:
 - The uncertainties over additional costs of City Rail Link project
 - The uncertainty over the financial impact of the three waters reform; and
 - The significance and uncertainty of the financial implications of damage from extreme weather events.
11. The report includes four uncorrected financial misstatements:
 - Hedge accounting. This misstatement first arose in the 2013/2014 financial year. It relates to the release of hedge accounting balances which should have been amortised. The misstatement will continue to arise until the amortisation period has come to an end, in approximately nine years' time. Management does not consider this misstatement to be material to the financial report and accordingly, has not corrected it.
 - Property, plant, equipment, and vested asset revenue are understated by \$8.6 million, due to Auckland Transport not recognising five vested assets received from Auckland Council for the period ended 31 December 2022.
 - An adjustment related to a misclassification between intangible asset and work in progress due to completed capital projects still sitting in the work in progress as at 31 December 2022.
 - An adjustment to other revenue related to a \$6.5 million settlement payment which was received on 29 December 2022 but not recognised.

The following new matters were raised, with management's responses:

Matter	Management's response
<p>Better quantification of COVID-19 claims and other cost variations</p> <p>The group should work with the Crown and City Rail Link Limited (CRL) to develop a reliable estimate for inclusion in the 2022/2023 financial statements.</p>	<p>Management will discuss the key judgements and accounting treatment relating to the COVID-19 costs and contract variations with the respective parties when finalising the 30 June 2023 financial statements.</p> <p>The settlement with Link Alliance is to agree COVID costs and non-covid variations with some of these costs having already been incurred and paid whilst others relating to current and future works will be paid as actual work is completed and invoiced until construction completion in 2025. We understand CRL will be working with Audit NZ (as their external auditor) in reviewing how COVID costs are treated from a cashflow and accounting perspective as part of the 2022/2023 financial statements preparation. CRL will keep us informed as these discussions progress.</p>
<p>Three Waters Reform</p> <p>The group should continue to monitor the legislation and its implications for the 30 June 2023 annual report.</p>	<p>Management continues to monitor the legislation and implications for the 30 June 2023 annual report.</p>
<p>Fair value assessment of property, plant and equipment</p> <p>The group review the fair value assessments of these asset classes and ensure these are completed in sufficient time to allow adjustments to the 2022/2023 annual report audit, if required.</p>	<p>Fair value assessments are currently being arranged with our valuers for restricted parks and reserves, operational land and buildings, and marina structures asset classes as at 30 June 2023.</p>
<p>Weathertightness and associated building defect claims provision</p> <p>The council to conduct a review of repair rate assumption used in calculation of the provision.</p>	<p>Management is in discussions with our legal advisors and the independent weathertightness actuary to update the repair rate assumption to reflect the construction cost inflation as at 30 June 2023.</p>

Item 12

Tauākī whakaaweawe āhuarangi Climate impact statement

12. There are no items covered in this report that impact on climate change. A statement of how the group is responding to climate-related financial risks and opportunities is included as volume 4 in the annual report.

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

13. The Auditor-General recommended discussing with the Crown and City Rail Link Limited (CRL) the estimation process and appropriate accounting of COVID-19 costs and other contract variations ahead of the preparation of Group's 30 June 2023 annual report. This recommendation has been communicated to the CRL finance team.

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

14. There are no issues relating to reporting at a local board level. Accordingly, the views of local boards have not been sought.

Tauākī whakaaweawe Māori Māori impact statement

15. The report does not affect the achievement of or reporting on the Auckland Council Group's contributions towards Māori outcomes. The council's contributions to Māori outcomes are reported in the annual report.

Ngā ritenga ā-pūtea Financial implications

16. There are no financial implications directly arising from the information contained in this report.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

17. Auckland Council is actively addressing the issues raised. We have assessed that the matters will not impact on the audit opinion on the Auckland Council Group's 2022/2023 annual report.

Ngā koringa ā-muri Next steps

18. Auckland Council will continue to address the matters raised in the report to management.

Ngā tāpirihanga Attachments

No.	Title	Page
A 	Review engagement management report 31 December 2022	

Ngā kaihaina Signatories

Authors	Alvin Ang - Senior Group Reporting Technical Accountant 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 the Audit New Zealand Audit Proposal Letter 2023 - 2025

File No.: CP2023/04479

Item 13

Te take mō te pūrongo

Purpose of the report

1. 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 years ending 30 June 2023 - 2025 (Attachment A).

Whakarāpopototanga matua

Executive summary

2. Audit New Zealand provided their audit fee proposal for the audit of the Auckland Council Group and Auckland Council for the financial years ending 30 June 2023 - 2025 at the time of the 20 February 2023 Audit and Risk Committee meeting. At that time, management did not agree with the fee being proposed.
3. As a result of subsequent discussions by the group financial controller and group treasurer with Audit New Zealand, agreement was reached for a 15% increase over three years, as detailed in Attachment A. The increase will be phased equally (5%/5%/5%) over the three years covered by the audit fee proposal. Audit New Zealand has made all requested amendments to their fee proposal letter.
4. The audit 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.
5. The Deputy Controller and Auditor-General Andrew McConnell, 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 this letter.

Ngā tūhonga

Recommendation/s

That the Audit and Risk Committee:

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

Horopaki

Context

Audit proposal letter

6. 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.

7. The audit proposal letter provides details on the audit fee budget for the financial years ending 30 June 2023 – 2025 and outlines areas that may result in an increase in fees over and above budgeted fees. Please note that the fees for the half yearly review engagement are agreed separately from the audit fees on an annual basis.

Tātaritanga me ngā tohutohu Analysis and advice

Audit proposal letter

8. 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
 - 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 years ending 30 June 2023 - 2025
 - reasons for any changes to hours
 - entities covered by this proposal
 - key members of the audit team.
9. The letter lists examples of items that could potentially cause an increase in the proposed fees.
10. The proposed audit fees for the for the financial years ending 30 June 2023 – 2025 are as follows:

Structure of audit fees	2023 \$	2024 \$	2025 \$
Audit cost	1,229,512	1,290,993	1,356,048
OAG Audit Standards and quality support charge	96,278	101,086	105,635
Disbursements estimate including cost of engaging experts	31,500	33,075	34,730
Total audit costs including estimated disbursements	1,357,290	1,425,154	1,496,413

Tauākī whakaaweawe āhuarangi Climate impact statement

11. 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, and emissions associated with printing and photocopying audit papers.

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

12. 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

13. 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

14. 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

15. The impact on the surplus/ deficit of the audit fee proposal for the audit of the Auckland Council Group and Auckland Council for the financial years ending 30 June 2023 -2025 is as follows:

	2023 \$	2024 \$	2025 \$
Total annual impact on surplus/ deficit	1,357,290	1,425,154	1,496,413

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations


16. The key risk related to this letter 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, ongoing out of cycle asset revaluations, costs related to the implementation of three waters reform legislation, changes to the climate-related performance reporting requirements in 2025 etc.
17. 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 amongst themselves and with Audit New Zealand how the annual audit can be made more efficient.

Ngā koringa ā-muri Next steps

18. Following the approval of the audit proposal letter by the committee, Audit New Zealand will issue the letter in final form and the mayor and chief executive will sign the finalised letter. 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

Item 13

No.	Title	Page
A 	AC Audit Proposal Letter 2023-2025	

Ngā kaihaina Signatories

Author	Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Peter Gudsell - Group Chief Financial Officer Phil Wilson - Director, Governance & CCO Partnerships

Assurance Process for the 2023 Green Bond Annual Report

File No.: CP2023/04647

Item 14

Te take mō te pūrongo Purpose of the report

1. To provide the Audit and Risk Committee with details of Auckland Council's assurance process for the 2023 Green Bond Annual Report.

Whakarāpopototanga matua Executive summary

2. The council established a Green Bond Framework in early 2018 and first issued green bonds in June 2018. The Green Bond Framework was replaced with the Sustainable Finance Framework in September 2020 and was subsequently updated in September 2022 (Attachment A).
3. Under the Sustainable Finance Framework, the council is required to report annually on the use of proceeds from green bond issuance, summarise the environmental outcomes delivered by the assets/projects and seek assurance from an independent assurer.
4. The council published its first Green Bond Annual Report in June 2019 with assurance undertaken by EY and has published a report every year since then.
5. The council has again appointed EY to provide independent assurance for the 2023 Green Bond Annual Report (2023 report).
6. This report provides the committee with insights into the assurance process to be followed in preparation and finalisation of the 2023 report.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note that EY has been appointed independent assurer for Auckland Council's 2023 Green Bond Annual Report
- b) tuhi ā-taipitopito / note the assurance process that EY will follow
- c) tuhi ā-taipitopito / note that the draft 2023 Green Bond Annual Report will be presented to the Audit and Risk Committee for approval in September 2023, before it is published.

Horopaki Context

7. A green bond is defined as a bond issued to finance or refinance projects or assets that deliver positive environmental outcomes.
8. The Sustainable Finance Framework (framework) sets out how the council proposes to issue and manage its green bond programme.
9. The framework addresses how the proceeds from the bond will be used, the process of evaluation and selection of projects and assets (eligible assets), the process for managing the proceeds, and reporting.

10. Examples of projects and assets that can be funded via green bonds are:
 - low carbon transport assets (i.e., electric trains, public walking and cycling infrastructure)
 - sustainable water and wastewater management
 - waste management
 - low carbon and efficient buildings.
11. To ensure robust assessment of the framework and the underlying eligible assets for any green bond issuance, the council may seek to employ one or more external review options. These include the option to seek assurance from an independent assurer and/or certification from the Climate Bonds Initiative or Climate Bond Standards.
12. Under the framework, the council is required to report annually on the use of proceeds and provide a summary of the environmental outcomes that have been delivered by the assets/projects.
13. Since the establishment of the framework and the issue of its first green bond in 2018, the council has now issued seven green bonds, including a EUR 500 million green bond issued in October 2021, and most recently, two CHF 200 million bonds issued in November 2022. The value of green bonds issued to date is the equivalent of NZD2.32 billion.
14. The proceeds from the green bonds have been used to refinance borrowings deemed to be attributed to:
 - electric trains
 - City Rail Link
 - public cycleway assets
 - green buildings
 - renewable energy assets
 - public transport
 - sustainable land use
 - watermain and wastewater assets.
15. The 2022 Green Bond Annual Report was published in September 2022. This report can be found on the council's website at <https://www.aucklandcouncil.govt.nz/about-auckland-council/investor-centre/information-for-investors/annualreport/annual-green-bond-report-2022.pdf>.

Tātaritanga me ngā tohutohu Analysis and advice

16. Last year the council increased the green bond eligible asset pool to over \$3 billion. It now includes assets that qualify under Green Bond Principles and the Climate Bonds Initiative such as water and wastewater assets, office buildings and public transport assets (e.g. the City Rail Link).
17. EY has been engaged to provide limited assurance on whether anything has come to their attention to indicate that the green bonds issued by the council do not continue to meet the requirements of the Climate Bonds Standard and Green Bond Principles, and relevant criteria in all material respects.
18. EY's assurance approach will be conducted in accordance with the International Standard on 'Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information' ('ISAE (NZ) 3000').

19. EY's assurance approach will be divided into three stages; the draft timeline is as follows:

Milestone/Service	Indicative Completion Dates
Document request submitted to data owners	15 June 2023
Obtain requested data from data owners	20 July 2023
Stage 1: Planning, Risk Identification & Assessment, and Strategy	31 July 2023
Stage 2: Execution	18 August 2023
Stage 3: Issue Assurance Report	21 August 2023

20. EY will provide the council with a limited assurance report. The EY report will include the scope and procedures, limitations of their work, and conclusion based on the outcomes of the engagement.
21. The council will also seek assurance from Toitū Envirocare to review the impact assessment information disclosed in the 2023 report.
22. The 2023 report is expected to follow a similar form to that used in the 2022 report, with advice from EY on best practice principles and feedback from other market participants (i.e., banks, investors, etc.) on how to make further improvements to the report.
23. The 2023 report will include EY's Limited Assurance Report, and council's Treasury department and the Chief Sustainability office will work with asset owners across the organisation to obtain the relevant information and measures to complete the 2023 report.
24. The draft 2023 report will be presented to the Audit and Risk Committee for approval in September 2023, before it is published.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

25. The report will enhance the council's transparency around funding for climate related activities and the associated climate outcomes. The report will include an impact assessment, disclosing relevant information pertaining to the climate impact and other benefits of the green bonds issued in the years prior. The impact assessment will provide measurement of greenhouse gas emissions and any broader co-benefits, where applicable. The disclosure of this data will be assured by EY as part of this process.

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

26. No additional impact at a group level.

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

27. Green bonds are managed at a group level and have no additional impact on local boards, as such local board views have not been sought.

Tauākī whakaaweawe Māori **Māori impact statement**

28. Green bonds are a type of borrowings and investment which enables the council to carry out its activities, including those focused on Māori outcomes.

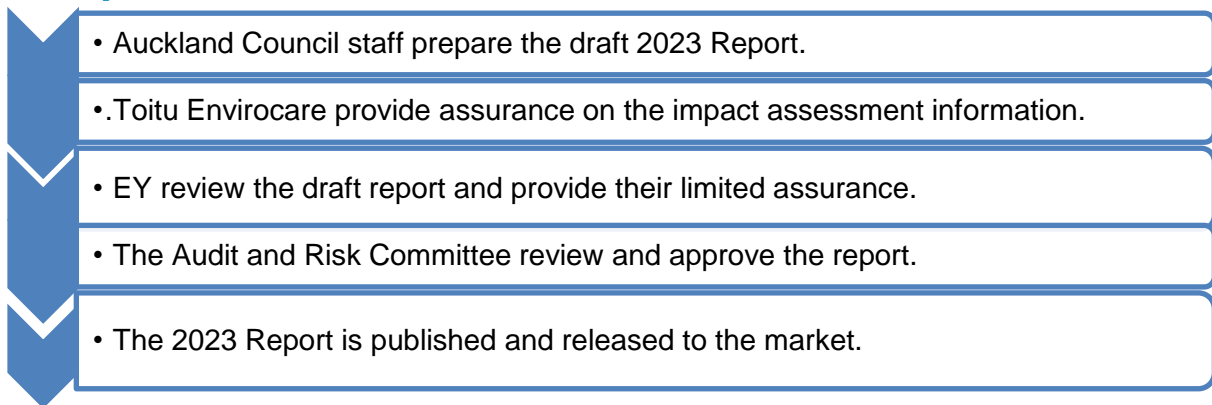
Ngā ritenga ā-pūtea Financial implications

29. The assurance costs and cost of publishing the Annual Report will be approximately \$31,500. These costs will be met within the overall interest cost budget.


Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

30. The EY assurance report is confirmation that council is complying with its obligation under the Sustainable Finance Framework and bond issuance documentation.

Ngā koringa ā-muri Next steps



Ngā tāpirihanga Attachments

No.	Title	Page
A 	Sustainable Finance Framework 2022	

Ngā kaihaina Signatories

Author	Helen Mahoney - Senior Corporate Sustainability Advisor
Authorisers	John Bishop - Group Treasurer Peter Gudsell - Group Chief Financial Officer Phil Wilson - Director, Governance & CCO Partnerships

Auckland Council Group's 30 June 2023 year-end reporting and audit considerations

File No.: CP2023/04146

Item 15

Te take mō te pūrongo

Purpose of the report

1. To provide the Audit and Risk Committee with:
 - details of key aspects of the Auckland Council Group's year-end reporting and audit requirements
 - information to support the approval of new accounting policies and key judgements applied in the preparation of the annual report and summary annual report
 - assurance over processes and controls applied to ensure the year-end reporting including the preliminary NZX release, annual report and summary annual report (annual reports) will contain valid, accurate and complete information.

Whakarāpopototanga matua

Executive summary

2. The Audit and Risk Committee's terms of reference (delegations) assign responsibility to the committee to review and monitor the integrity of the Auckland Council Group's (group) interim and annual reports. This includes statutory statements and any other formal announcements relating to the group's performance.
3. As part of executing this responsibility, the committee will recommend:
 - at the 21 August 2023 Audit and Risk Committee meeting, that the deputy mayor recommends the mayor and chief executive sign and release the group's preliminary announcement to the NZX
 - at the 15 September 2023 Audit and Risk Committee meeting, the Governing Body adopts the annual reports at its 28 September 2023 meeting.
4. This open report provides the committee with information and insights into the preparation processes for these documents including:
 - reporting requirements
 - accounting policies adopted during the 2022/2023 financial year
 - financial year-end process
 - management representation letter process
 - the committee's oversight of the management of fraud.
5. To encourage transparency in our committee reporting we have endeavored to discuss as much information as possible about the year-end reporting and audit requirements in this report. However, there is some information which cannot be released to the public due to disclosure requirements of the NZX. Instead, it will be presented in the confidential item on today's committee agenda titled "CONFIDENTIAL: Auckland Council Group's 30 June 2023 year-end reporting and audit considerations".
6. The confidential report will provide additional insights into the preparation processes for these documents, as well as critical reporting matters and audit requirements, including:
 - the effect of changes in accounting policies on the financial statements
 - key judgements and assumptions applied in the preparation of financial reporting including reporting requirements
 - draft management representation letters as attachments

- Audit New Zealand's key audit matters
- The following pro formas for the year ending 30 June 2023:
 - volume 1 overview and service performance
 - volume 3 financial statements
 - volume 4 climate statement.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the year-end financial reporting process and other information in this report and use it to supplement the information in the confidential item “CONFIDENTIAL: Auckland Council Group’s 30 June 2023 year-end reporting and audit considerations”.

Horopaki Context

Reporting requirements

7. The Auckland Council Group has complex financial reporting requirements due to it being an issuer of debt on the New Zealand (NZX), Singapore (SGX) and Swiss (SIX) exchanges, and a local government entity.
8. The preliminary NZX release and annual reports (year-end reporting) are based on consolidated information obtained from Auckland Council, council-controlled organisations (CCOs), Ports of Auckland Limited and City Rail Link Limited’s reporting packs. Reporting packs are supported by assurances obtained in representation letters.
9. In accordance with the NZX listing rules, the Financial Control team prepares the preliminary NZX release for lodgement within 60 days of financial year-end. In addition, in conjunction with the Corporate Performance Reporting team, it prepares the annual report and summary annual report within three months of financial year-end.
10. The SGX has limited reporting requirements, requiring the council to provide its annual report at the same time as it is released to the NZX.
11. The SIX requires the council to provide a URL (web address) to its annual report within four months of year-end.
12. In addition to New Zealand reporting requirements, the SIX and SGX require reporting of differences between our financial reporting framework and International Financial Reporting Standards.
13. Further information on reporting requirements will be discussed in the confidential item “CONFIDENTIAL: Auckland Council Group’s 30 June 2023 year-end reporting and audit considerations”.

Auditor responsibilities

14. The Deputy Controller and Auditor-General, Andrew McConnell using his staff and his appointed auditor’s staff (Audit New Zealand), on behalf of the Auditor-General as Auckland Council and Auckland Council Group’s auditor, issues his opinion on the group’s annual report and summary annual report.
15. The Deputy Controller and Auditor-General and Audit New Zealand will attend the Audit and Risk Committee meeting on 15 September 2023 to enable the committee to liaise with them to ensure that a robust financial audit of the group has occurred.

Committee responsibilities

16. The Audit and Risk Committee reviews the quality of the year-end reporting, the processes used to prepare the documents, and the judgements and assumptions applied to transactions, balances and disclosures.
17. The Governing Body reviews and enquires into the financial and operational performance of the group.
18. In fulfilment of its terms of reference the Audit and Risk Committee endorses the year-end reporting and recommends to the deputy mayor that she (under delegation from the Governing Body) recommends the mayor and chief executive approve and release the year-end reporting.

Tātaritanga me ngā tohutohu

Analysis and advice

19. The accounting policies applied in the pro forma financial statements are consistent with those used at 30 June 2022 except for implementation of PBE IPSAS 41 Financial Instruments. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The adoption did not result in any significant impact on the group financial statements.

Financial reporting year-end processes

20. The group's annual report and summary annual report are produced for the year ending 30 June 2023. The annual report includes:
 - volume one: overview and service performance
 - volume two: local boards (comprising 21 local board reports)
 - volume three: financial statements
 - volume four: climate statement.
21. The process to finalise the NZX preliminary announcement, annual report and summary annual report includes the following stages.

Auckland Council Group's financial statement consolidation

22. Auckland Council and CCO reporting packs, with auditor sign-off, will be provided to the Financial Control unit on 4 August 2023.
23. The group consolidation process will be completed by the Financial Control team, and the consolidation workbook and information are provided to Audit New Zealand.
24. The consolidation forms the basis for the NZX preliminary announcement, volume three of the annual report (financial statements) and the summary annual report.

NZX preliminary announcement

25. The preparatory steps for the NZX preliminary announcement are:
 - The pro forma NZX preliminary announcement (announcement) which is prepared in consultation with the group chief financial officer and the Media Relations team.
 - The council's Legal Services department, in conjunction with Mayne Wetherell, reviews the announcement and provides feedback.
26. The internal clearance process is as follows:
 - The Legal Services department provides sign-off that the announcement complies with the NZX rules.
 - The group financial controller, group treasurer, and general manager financial strategy and planning, review and sign off the NZX preliminary announcement and media release.

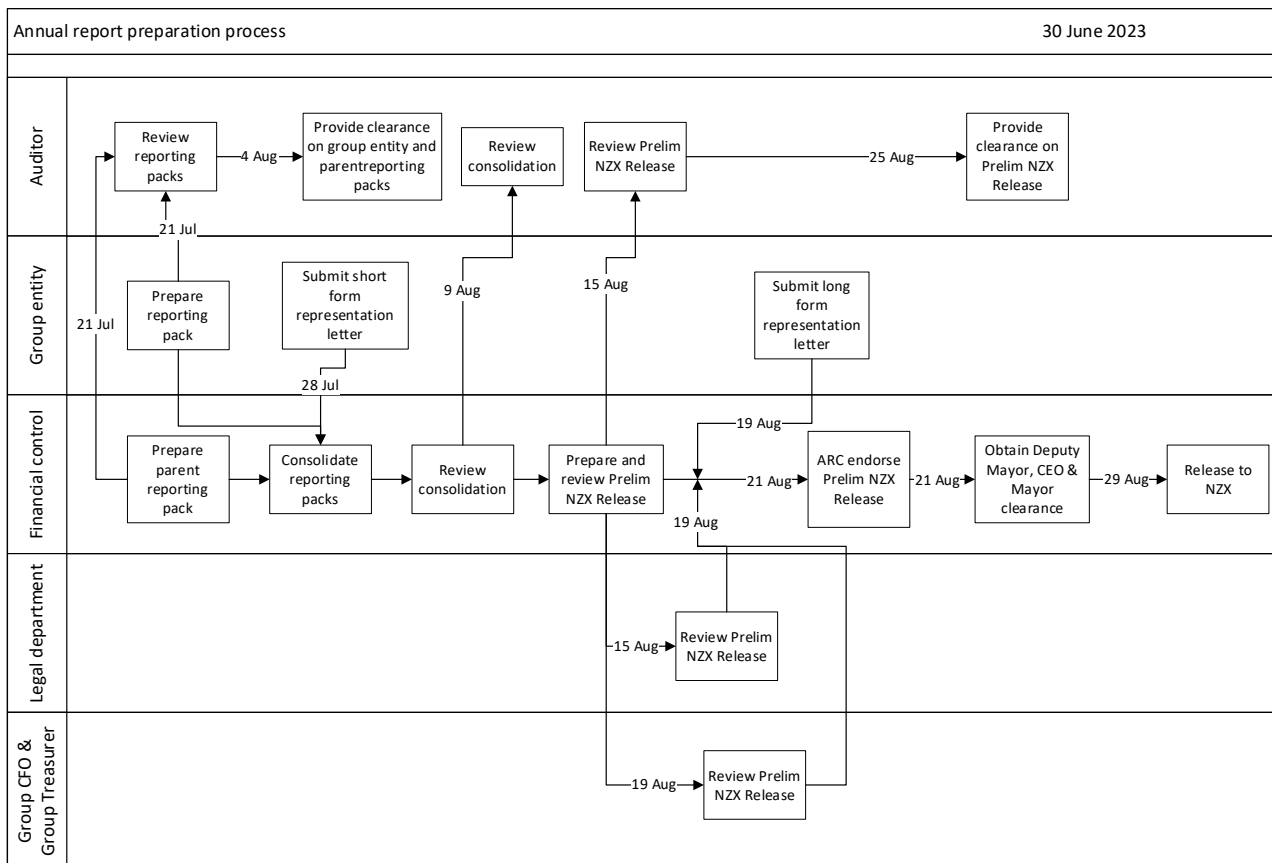
- The group financial controller and group treasurer then meet with the group chief financial officer to sign off the NZX documents, as well as documents to be provided to the mayor and chief executive to support their sign-off. Drafts, based on the prior year, are included in the confidential report under paragraph 63 as confidential attachments B-D.

27. The process for the final approvals is as follows:

- On 21 August 2023, the Audit and Risk Committee will review and sign-off the NZX preliminary announcement and media release. Audit New Zealand will provide a verbal clearance at that meeting.
- The deputy mayor will approve the NZX preliminary announcement and media release (under delegated authority by the Governing Body at the December 2022 meeting) and recommend that the mayor and chief executive sign-off.
- The mayor and chief executive sign-off the NZX preliminary announcement and media release.

28. The NZX preliminary announcement and media release are made public within 60 days of year-end.

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

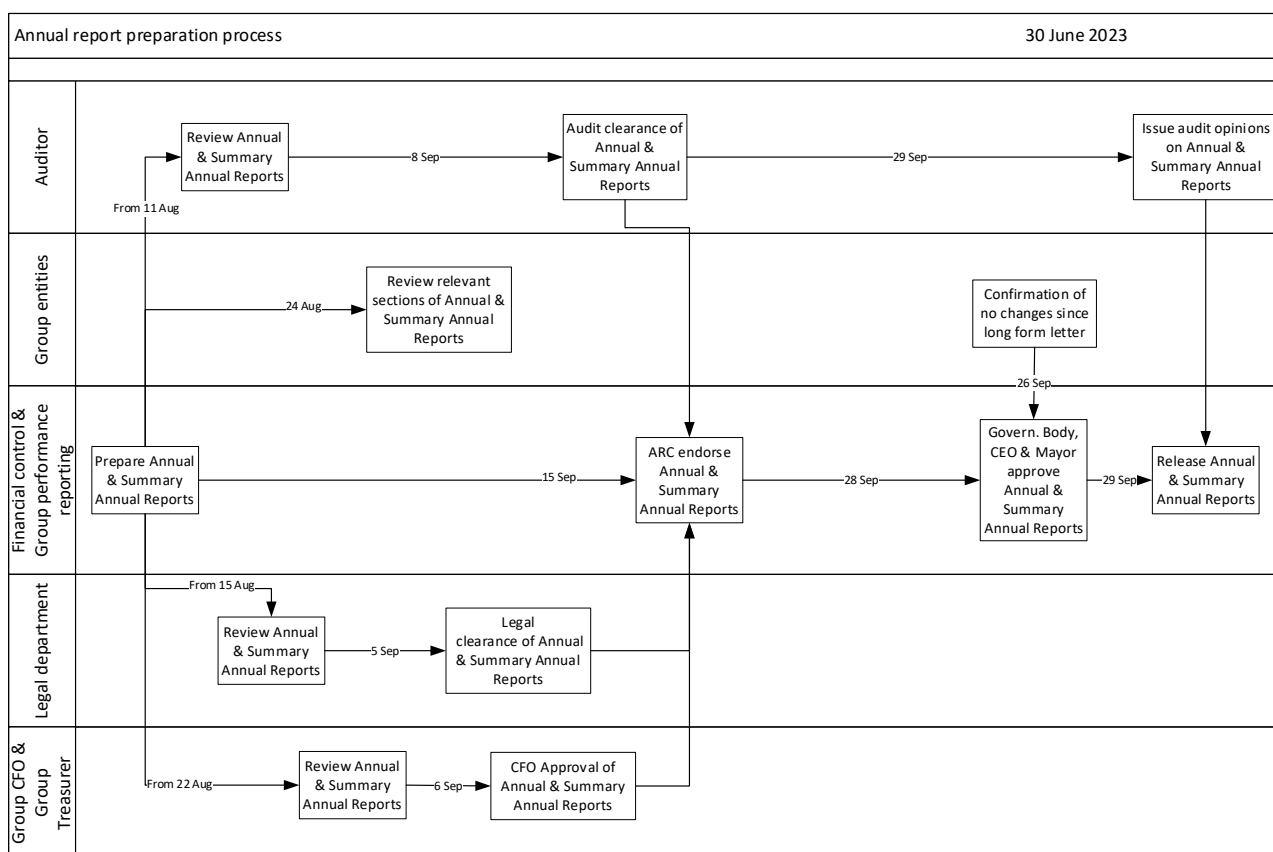


Annual report and summary annual report preparation process

30. Volumes 1 and 2 of the annual report and the summary annual report are prepared by the council’s Corporate Performance and Reporting and Financial Control teams.
31. Volume 3 of the annual report is prepared by the Financial Control team.
32. Volume 4 of the annual report is prepared by the group treasury and the sustainability team.
33. The annual report and summary annual report (annual reports) follow a sign-off process, as follows:
- The group financial controller, group treasurer and group chief financial officer review and sign off the annual reports.

- Mayne Wetherell and the council’s Legal Services team review the annual reports for compliance with legislation and the appropriateness of disclosure of legal matters such as legal contingencies and provide a confirmation of legal compliance.
- On 15 September 2023, an Audit and Risk Committee meeting is held for the committee to recommend the annual reports to the Governing Body for adoption.
- On 28 September 2023, the Governing Body meeting is held to review the financial performance of the group and approve the annual reports.
- On 29 September 2023, The Deputy Controller and Auditor-General issues his Independent Auditors’ Report, and the annual reports, accompanied by a media release, are made public via the NZX and the Auckland Council websites.

34. The following diagram outlines the process for the release of the annual report and summary annual report:



Quality assurance and compliance approvals

35. Quality assurance reviews are performed on the consolidated results and commentary and the year-end reporting. The reviews focus on accuracy, completeness and reasonableness of disclosures, legislative compliance and adherence to Auckland Council communications standards. A summary of the reviews is as follows:

Reviewer	Consolidated results and commentary	Media release	Preliminary NZX release	Annual report and summary report
Group chief financial officer*	✓	✓	✓	✓
Executive officer – CFO		✓	✓	✓
Executive officer - CEO		✓	✓	✓
Group treasurer*	✓	✓	✓	✓

Reviewer	Consolidated results and commentary	Media release	Preliminary NZX release	Annual report and summary report
General manager financial strategy and planning	✓	✓	✓	✓
Group financial controller*	✓	✓	✓	✓
Manager group performance reporting		✓	✓	✓
Manager group accounting and reporting*	✓	✓	✓	✓
Manager financial stakeholder relations		✓	✓	✓
Senior group reporting technical accountant*	✓	✓	✓	✓
Financial accounting manager*	✓			✓
Senior specialist corporate communications		✓		
Legal services*			✓	✓
Mayne Wetherell*			✓	✓

36. All the technical quality assurance reviewers (denoted with *) performing reviews from a financial or legal perspective are qualified chartered accountants, lawyers or have equivalent qualifications and have the appropriate technical accounting skills and knowledge.
37. Trust lens reviews are performed on the annual reports to ensure that we are telling a fair and balanced story, that good news stories are truthful and accurate, and the poor performance stories are honest and transparent. They review the overall story for consistency through all volumes.

Management representation letters and management confirmations

38. Audit New Zealand will require the mayor and chief executive to sign a letter providing assurance that the control environment adequately supports the validity, accuracy and completeness of financial reporting, and that the financial statements comply with applicable standards and regulations. A draft, based on last year's letter, is attached to the confidential report as Attachment G.
39. To support the mayor and the chief executive's representations, the group chief financial officer, group treasurer and the group financial controller will sign back-to-back representation letters to the mayor and chief executive. Drafts, based on last year's letters, are attached to the confidential report. Attachment D is for the preliminary release and Attachment F is for the annual report release.

CCO representation letters

40. On a semi-annual basis, the Financial Control team obtains representation letters from management of the substantive CCOs, Ports of Auckland Limited and City Rail Link Limited. These letters provide assurance over the financial information, including assurance that the financial information:
- complies with generally accepted accounting practices, including the New Zealand Public Benefit Entity International Public-Sector Accounting Standards
 - fairly reflects the financial position as at 30 June 2023, financial performance and cash flows for the year ended 30 June 2023.

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

Other matters

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

Draft representation on fraud and fraud questionnaire

43. Audit New Zealand makes formal enquiries of the Audit and Risk Committee, senior management and the Risk and Assurance department of Auckland Council in relation to fraud using a fraud questionnaire. The questionnaire covers risk assessment, monitoring controls, mitigating systems and controls, risk communication and the assessment of fraud risk.
44. The committee formally responds to these enquiries in writing. The representations made are supported by questionnaires completed by senior management and the Risk and Assurance department.
45. The questionnaire has not changed from prior years and will be presented in draft to the committee at the 21 August 2023 committee meeting.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

46. This report relates to a financial reporting process and disclosures only and as such has no climate implications. Auckland Council Group's climate impact, climate change initiatives and the group's mechanisms and processes to deal with climate risks and opportunities will be included in the annual report and summary annual report. No decision is sought in this paper that has an impact on greenhouse gas emissions and the council's approach to reduce emissions.
47. It is acknowledged that the activities undertaken by the group and reported on within annual report have the potential to be impacted by climate change and can also reinforce or weaken our climate action response.

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

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

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

49. Local boards will assist in the preparation of the local board content in Volume 2 of the annual report and will review their performance information for accuracy and validity. No decision is sought in this paper that would impact local boards; accordingly, the views of the local boards have not been sought.

Tauākī whakaaweawe Māori

Māori impact statement

50. 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.
51. It is acknowledged that the activities undertaken by the group and reported on within annual report have the potential to reinforce or weaken the delivery of our obligations under Te Tiriti o Waitangi.
52. No decision is sought in this paper that has a direct impact on Māori.

Ngā ritenga ā-pūtea

Financial implications

53. There are no financial implications directly arising from the information contained in the report as no financial decision is sought.

Ngā raru tūpono me ngā whakamaurutanga

Risks and mitigations

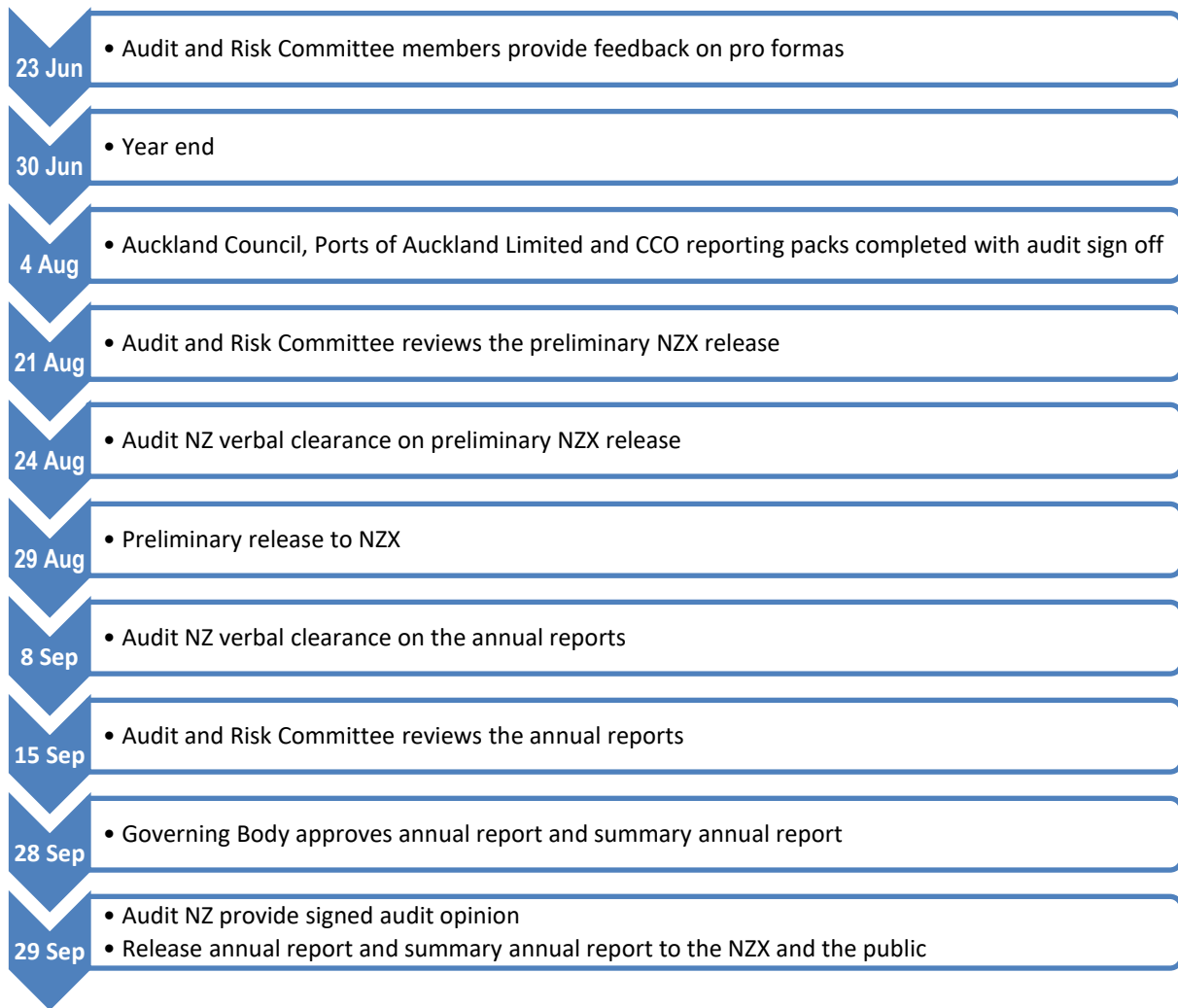
54. No risks have been identified related to the information provided in this report.
55. Any risks and mitigations relating to the year-end reporting, key judgements and assumptions and audit requirements are discussed in the confidential item "CONFIDENTIAL: Auckland Council Group's 30 June 2023 year-end reporting and audit considerations"

Ngā koringa ā-muri

Next steps

56. The committee will review the confidential key judgements, estimates and assumptions and attachments relating to this report in the confidential section of this meeting under the report "CONFIDENTIAL: Auckland Council Group's 30 June 2023 year-end reporting and audit considerations".

57. The following diagram summarises the steps towards finalisation of the annual reports:



Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

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

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: Substantive Council-Controlled Organisations' Quarterly Risk Update - May 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.	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 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.	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.

C2 CONFIDENTIAL: Legal Risk 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)(g) - The withholding of the information is necessary to maintain legal professional privilege.</p> <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>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>In particular, the report contains legally privileged and commercially sensitive information.</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: Enterprise Risk Update supplement

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 detail information on the mitigation activities of the strategic risks that could be detrimental to risk management objectives if in the public domain.</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 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.	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.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

C5 CONFIDENTIAL: Auckland Council Group's 30 June 2023 year-end reporting and audit considerations

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 annual report and financial results of Auckland Council Group and Auckland Council Group as at 30 June 2023 which cannot be released to the public before it is released on 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.

C6 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 financial results of the Auckland Council Group and Auckland Council for 30 June 2023 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.

